



2019 Corporate Social Responsibility Report

Zeng Hsing Industrial Co., Ltd.



*In Everything That You Do
If You Give A Little Love,
You Can Get A Little Love Of Your Own*

About CSR report

Zeng Hsing Industrial CO., Ltd (Zeng Hsing) focuses on the household sewing machine business and providing excellent quality products and services to meet our client's requirements. This report discloses sustainability strategies and implementation performance information in environment (E), society (S), and governance (G). The goal of CSR reports is to give stakeholders a better understanding of Zeng Hsing's efforts and commitments to continued improvements in the sustainable development in ESG.

CSR report Scope and reporting period 【102-45、50】

Reporting period: January 1 to December 31, 2019

Report Scope: Zeng Hsing Group's Taiwan headquarters and important manufacturing centers.

Reporting Guidelines and Certification

The content and structure of this report is based on the Core Options of the GRI Standards of the Global Reporting Initiative (GRI). The GRI Standards Content Index is attached to this report for reference purposes. Zeng Hsing commissions TUV to verify the report, which was compiled in accordance with the GRI Standards Core Options with limited assurance, base on AA1000. The assurance statement is attached to this report.

Issue time 【102-48、102-49、102-51、102-52】

We are delighted that you are reading the 6th Corporate Social Responsibility report issued by Zeng Hsing. We will continue to issue this report every year in both Chinese and English versions. There are no significant changes from previous reporting periods in the list of material topics and topic Boundaries. To learn more about Zeng Hsing's efforts and achievements in corporate social responsibility, please visit our dedicated CSR website.

Previous issue: July 2019

Current version: June 2020

Next issue: June 2021

Report compilation units 【102-53】

If you have any comments or questions about this report, please contact us:

Contact person : Claire Chung

Address : No. 78, Yongcheng Rd., Taiping Dist., Taichung City 411, Taiwan (R.O.C.)

Telephone : 886-4-2278-5177 (EXT : 589)

E-mail : csr@zenghsing.com.tw

Web : www.zenghsing.com.tw



ZH Vietnam Factory 1 (2004)



Shinco (2007)



ZH Vietnam Factory 2 (2015)



ZH China (1998)



ZH Taiwan (1968)

Location of operations 【102-4】

Message From CEO

New Headquarters Building

Shin Shing Sewing Machines Co. got its start in a small factory located under Taichung's South Gate Bridge, but thanks to significant growth in its business, the company was formally renamed Zeng Hsing Industrial Co., Ltd. in 1975, and the factory moved to its current address in Taiping District, Taichung City. Parts of the plant were severely damaged in the 1999 Jiji earthquake, so a new four-story office building was built. However, the company has continued to experience exponential growth in recent years, and the original plant and office space are no longer able to meet our current needs. Meanwhile, some of the older buildings are beginning to present safety concerns. To ensure a comfortable and safe work environment, the company invested NT\$ 700 million in remodeling, and after two and a half years, the new Taiwan Headquarters were finally completed and inaugurated in 2020.

At Zeng Hsing, we are committed to providing our employees with a comfortable and stress-free work environment where they can treat the office as their own home. We believe that making employees feel at ease will free up their creativity and productivity, whether they are working on an assembly line or attending a meeting. Therefore, we have included a wide range of leisure spaces in our new Taiwan headquarters building. The Hygge Green Garden provides a literal breath of fresh air and lush greenery where employees can rest their eyes after staring at a computer screen for hours on end. For those running out of creative ideas or simply feeling exhausted after half a day of work, the coffee bar offers caffeinated refreshments to help employees quickly recharge before getting back to work. We also provide a terrace lecture hall for holding international conferences, a gym/dance studio, and a sewing classroom, all designed to give employees the healthiest and happiest work experience possible.



Sustainable Development

The Taiwan Headquarters established a CSR Committee in mid-2018. Later that year, a CSR management-by-objectives (MBO) framework was put into effect. As a way of demonstrating Zeng Hsing's commitment to corporate social responsibility, the framework requires every plant and division in the Zeng Hsing Group to formulate its own management objectives in accordance with the Company's CSR policies. In the first year of piloting this framework, we completed 35 out of 38 planned CSR projects involving instituting a circular economy, carbon footprint reductions, waste reduction, etc. The three remaining projects pending improvements were also completed at a later date. Looking into 2020, we will continue to improve and optimize the framework to ensure a solid foundation for our CSR efforts.



Volunteer Team

At the Topkey Foundation Board of Directors Meeting, we were deeply moved by stories of the philanthropic endeavors of the Little Sunshine Volunteers' Club. Their passion for and belief in simple acts of kindness has inspired us to start up our own team of volunteers. In addition to donating money and goods to the disadvantaged, employees are encouraged to participate in social welfare campaigns and make good use of their sewing skills to help those in need. We believe that through volunteering, employees can better appreciate the proverb "it's more blessed to give than to receive." After a two-month recruitment period, the Zeng Hsing Volunteer Team was officially formed in 2020. In the future, we will continue to add to our social welfare programs and call for more employees to join hands in paying it forward.

A handwritten signature in black ink, appearing to be '林志誠' (Lin Zhi-Cheng).

CEO Charles Lin 2020/05/25

Sustainable Highlights in 2019

E Environment

- **Energy saving and carbon reduction** : Each subsidiary conducts annual greenhouse gas inventory inspections in accordance with ISO14064-1 procedures and reveals group emissions data.
- **working environment measurements** : All subsidiaries meet local standards.
- **Green product** : K series household sewing machines have obtained ISO14067 carbon footprint verification statement.
- **Circular economy**: Promote the transformation of old clothes and 3R.



S Social

- **Social Welfare** : Charity Donation in the past eight year was 14.81 Million.
- **Talent Development** : In 2019, the Taiwan headquarters accumulated about 2,500 clicks on online teaching materials.
- **Human Rights** : Implemented the Zeng Hsing Human Rights policy to protect the rights of employees.
- **Supplier CSR evaluation** : 16 supplier site visits were completed, 12 qualified & 4 unqualified. Those who unqualified have all been improved in 1 months.
- **Customer satisfaction score**: 8.4 points (out of 10 points).



G Governance

- **Economic Performance** : The Production was more than 3 millions.
- **Corporate Governance Evaluation** : ranking 21-35% °
- **CSR Report** : By 2019, 5 copies have been issued and a third-party verification statement has been obtained.
- **Anti-corruption education and training** : strengthen employees' awareness of honesty and pragmatism.
- **Regulatory compliance**: No major violations occurred.



Major Issues Key Performance

	Topic specific Standards	KPI	Subsidiaries	2018	2019	DMA Chapter
Economic	Economic performance ⁵	Revenue Sales	ZH Group	6.7 Billion (NT\$) 3.14 Million (units)	5.9 Billion(NT\$) 3 Million(units)	1.3 Operation Overview and Financial Performance
	Anti corruption ⁶	Internal and External whistleblowing cases	ZH Group	1 external appeal case, which was verified as false allegations	None	3.3 Enforcing Ethical Management
	Procurement practices ¹¹	Suppliers transactions amount percentage	Taiwan. Vietnam Shinco China	95% Local Suppliers 61% Local Suppliers 91% Local Suppliers 84% Local Suppliers	95% Local Suppliers 63% Local Suppliers 62% Local Suppliers 88% Local Suppliers	4.5 Supply Chain Management
	Indirect economic impacts ¹⁶	Cumulative donation amount since 2012 (million)	Taiwan	13,01	14,81	6.1 Social Welfare
Environmental	Environmental compliance ⁷	Major violations of fines or penalties(cases)	ZH Group	None	None	3.5 Regulatory Compliance
	Effluents and waste ¹²	Recycling rates & water pollution test (Recycling rates - general waste are not included in ZH Vietnam and China)	Taiwan. Vietnam Shinco China	72% ; Certified 62% ; Certified Non disclosure ; Certified Non disclosure ; Certified	67% ; Certified 63% ; Certified 54% ; Certified 57% ; Certified	7.2 Waste Management
	Energy ¹³	Energy intensity (KJ/pcs)	ZH Group	41,974 (ZH Group)	43,820 (ZH Group)	7.1 Energy and Resource Usage and Greenhouse Gas Inventory
	Emissions ¹⁵	Total GHG emissions (TON CO2e)	ZH Group	23,256 (ZH Group)	21,830 (ZH Group)	7.1 Energy and Resource Usage and Greenhouse Gas Inventory

Major Issues Key Performance

	Topic specific Standards	KPI	Subsidiaries	2018	2019	DMA Chapter
Social impact	Socioeconomic compliance ¹	Major violations of fines or penalties(number of cases)	ZH Group	None	None	3.5 Regulatory Compliance
	labor management relations ²	Employee complaints (number of cases)	Taiwan	One case was received by the CSR hotline, and the case has been closed after verification related to employee rights.	None	5.2 Employee Benefits and Rights
	Training and education ³	Average training hours (hrs)	ZH Group	Male 6.7 ; Female5.1	Male 10.6 ; Female 8.8	5.3 Employee Training and Development
	Customer health and safety ⁴	Major violations of fines or penalties(number of cases)	ZH Group	None	None	4.4 Green Procurement
	Employment ⁸	Parental leave (Return rate & Retention rate)	Taiwan	100% ; 100%	80% ; 100%	5.2 Employee Benefits and Rights
	Occupational health and safety ⁹	Absence Rate 、 Injury Rate 、 Lost Day Rate	Taiwan. Vietnam Shinco China	0.46% ; 1.16 ; 57.01 1.28% ; 0.33 ; 3.25 0.27% ; 0.00 ; 0.00 1.08% ; 1.50 ; 52.96	0.67% ; 2.18 ; 35.36 1.28% ; 0.34 ; 2.53 0.08% ; 0.00 ; 0.00 1.94% ; 2.97 ; 302.9	5.4 Occupational Health and Safety Management
	Marketing and labeling ¹⁰	Follow international regulations & environmental certifications	ZH Group	Zeng Hsing follows international product safety standards (such as CE, GS, and UL) and green product standards (such as RoHS, WEEE, and REACH).		4.2 Marketing of Products and Services
	Child labor ¹⁴	Major violations of fines or penalties(number of cases)	ZH Group	None	None	3.5 Regulatory Compliance

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1 Organization Profile

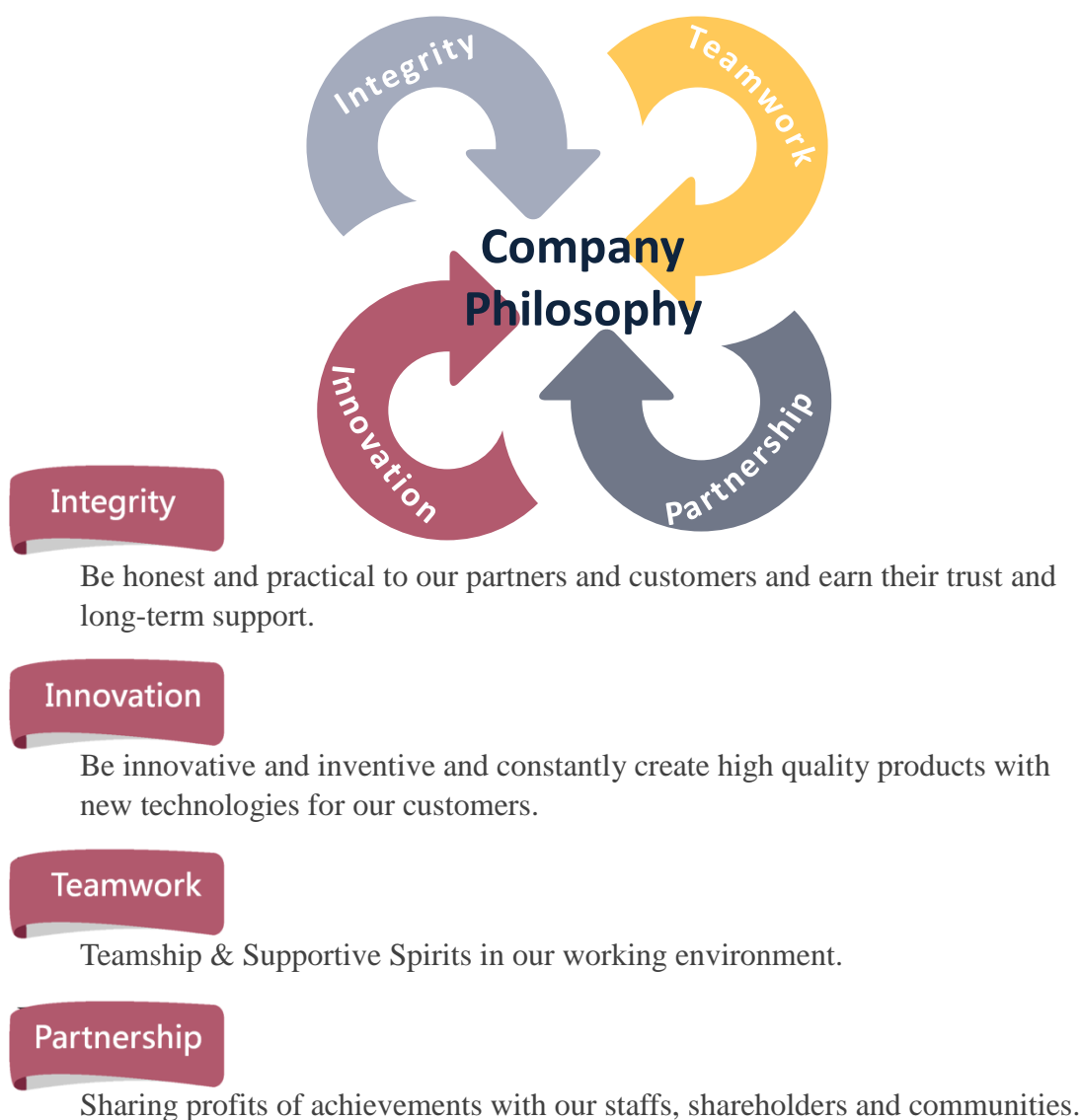
1.1 Zeng Hsing Group Overview

Shinco Ind. Co. Ltd was founded in 1968, and renamed to Zeng Hsing in 1975. Currently, Zeng Hsing main production base is in Vietnam. Vietnam 1st and 2ND factories accounts for 90% of total production. Zhangjiagang Factory in China accounts for 9% of total production, and Taiwan Headquarter accounts for 1% of total production. Shinco Technologies Vietnam is another factory that produces aluminum die casting products. It supplies aluminum die casting components not only to our own factories, but also to other automotive industries.

Zeng Hsing is the manufacturer for household sewing machines, provides mechanical, electrical, computerized, and semi-professional sewing machines. Today our products are presence in over 100 countries.

Our company philosophy is “Integrity” “Teamwork” “Innovation” and “Making Well-being”. Facing up to a changing world, Zeng Hsing continue to enhance business development strategy and also workplace management, to achieve greater efficiency and productivity. 【102-16】





Zeng Hsing basic information 【 102-1 、 102-3 、 102-7 】

Topic	Details
Company Name	Zeng Hsing Industrial Co., Ltd.
Stock Symbol	1558
Industry Category	Manufacture of Machinery
Head Office	No.78, Yongcheng Rd., Taiping Dist., Taichung City 411, Taiwan (R.O.C.)
CEO	Charles Lin
GM	Meyor Tsai
Main Business	Household sewing machines and commercial vacuum cleaners.
Listed Date	2014/12/23
Paid-up Capital	NTD 605,356,310
Employees (ZH Group)	2,785 人 (as of 2019/12/31) (not include MITSUMICHI INDUSTRIAL CO., LTD.)
Operating Revenue	NTD 5,935,948,000

Subsidiary Company of Zeng Hsing

Investment company	Subsidiary	Main Business	Shareholding Rate% (2019/12/31)
Parent Company	Zeng Hsing Industrial CO., LTD. (BVI)	Holding company investing in CHINA	100%
	Zeng Hsing Industrial (VIETNAM)	Manufacturer of household sewing machines	100%
	Shinco Technologies –Die Casting (VIETNAM)	Aluminum die casting and CNC processing	100%
	Mitsumichi Industrial CO., LTD.	Manufacturer of household sewing machines	53%
Zeng Hsing Industrial CO., LTD. (BVI)	ARCORIS PTE LTD.	Holding company	100%
	Zhangjiagang Zeng Hsing Machinery & Electronics(CHINA)	Manufacturer of household sewing machines and vacuum cleaners	100%
	Zhangjiagang Free Trade Zone Cheau Hsing Machinery& Electronics CO.,LTD	Trading of household sewing machines and vacuum cleaners	100%
	Jetsun Technology Co.,Ltd (Seychelles)	Holding company	100%
Zhangjiagang Zeng Hsing Machinery & Electronics(CHINA)	Zhangjiagang Zenghsing Trade Co.ltd.	Trading of household sewing machines and vacuum cleaners parts	100%
Zhangjiagang Free Trade Zone Cheau Hsing Machinery & Electronics Co., Ltd. 【Cheau Hsing】	Shanghai Debra Trading Company Limited	Selling household sewing machines and spare parts	100%
Jetsun Technology Co., Ltd (Seychelles)	Jetsun Technology Company Limited	Research and design of filtration equipment	100%

【102-10】 There are no significant changes to the organization's size, structure, ownership, or supply chain, except

- Changes in equity structure in 2019:** The board of directors resolved to liquidate SHINCO WORLDWIDE LTD. (BVI), an overseas subsidiary of the company that has invested 100%. The liquidation of the subsidiary was completed in August 2019.
- Changes in the supply chain structure :** Due to the large fluctuations in the price of aluminum at Vietnam Shinco, it is more appropriate to purchase raw materials from Malaysian. This has caused significant changes in the proportion of suppliers in the country. (please refer to 4.5 supply chain management)

1.2 Our Products 【102-2】

Zeng Hsing grew from a small company that doing machine processing business then turns into international original design manufacturer of sewing machine, accumulated over 50 years sewing machine manufacture experience. Zeng Hsing has wide range product line, include mechanical, electrical, computerized, overlock and embroidery.

Mechanical sewing machines

Mechanical sewing machines using knobs and dials to change the setting, and it has limited choice stitch patterns you can choose. But if you are beginner, mechanical sewing machine functions are enough for you to do some simple projects and cloths repairs.

Electronic sewing machines

Electronic sewing machines functions are between mechanical and computerized. Electronic machines have variety stitches patterns, you can adjust stitch through pushing a button or choosing menu on LCD display screen, it's more precise than mechanical sewing machines.

Computerized sewing machines

Computerized sewing machines have many automatic functions that can help sewer saving time. Such as tension adjustment, bobbin winder, thread cutter etc. And also with a bigger LCD display screen that make it easier to choose stitch patterns.

Embroidery machines

The embroidery and overlock machine usually for the professional sew maker or commercial used. **Embroidery machines** can use for machinery embroidery, quilting, pattern design etc. **Overlock machine** usually used for edging, hemming, or seaming.

Overlock machine



Zeng Hsing started the manufacturing for vacuum cleaner in 1985. Now we have Commercial Upright Vacuum Cleaner & Backpack Vacuum Cleaner.

The commercial upright vacuum cleaners

The commercial upright vacuum cleaners are suitable for hotels, commercial offices, shopping centers, libraries, etc. Upright vacuum cleaners are designed to overcome the most difficult tasks for commercial environments and have metal in all the right places, including the motor, the bottom plate, and most importantly the brush roll. It has HEPA filter that traps 0.3 micrometer of dust particles and releases clean air back in to the air you breath.

Working with a canister or upright vacuum cleaner can be quite tough because they are heavy and it is never easy to move them around. This is one of the reasons why many people are opting for the commercial backpack vacuum cleaner, which are perfect for use in tight or confined spaces such as stairs, theaters, aircrafts, or hard to reach areas.

A backpack vacuum cleaner

A backpack vacuum cleaner has been created keeping in mind the comfort factor of those using them. It is almost like walking around the home or office with a backpack except that this one comes with a brush. Once you have a backpack vacuum cleaner, you won't have to go through the motions of an awkward drag that most people experience while using the canister vacuum cleaner. But most importantly, it offers portability. The Zeng Hsing made backpack vacuum cleaners have 4 stages filter, including HEPA. In addition, the ergonomically-designed shoulder harness can be adjusted to suit different users to offer maximum comfort.

Sewing Machine

Computerized



H series



H7xA series



Embroidery series



Overlock series

Mechanical



MA series



M series



8000 series



K series



Q series

Vacuum cleaner

Upright vacuum cleaner



N2000



ZV300A



ZV300B



ZV301B

Backpack vacuum cleaner



BPV



BBAE

Technology and product development

Year	Products	
2017	LB41A	Overlock Machine
	H20L	Computerized Horizontal Hook
	CF01C	Computerized Horizontal Hook
	H20M/H10M	Computerized Horizontal Hook
	MAXXD	Mechanical Vertical Hook
	H11C	Computerized Horizontal Hook
2018	LB42B	Overlock Machine
	Q60JST	High-speed Mechanical Horizontal full-rotation Sewing Machine
	K60Q	Mechanical Vertical Hook
	K60T	Mechanical Vertical Hook
	CH03AX	WIFI Sewing & Embroidery Combo Machine
	K45R	Mechanical Vertical hook
	H10P	Computerized Horizontal Hook
2019	CJXXBX	Computerize Sewing & Embroidery Combo Machine
	M10C	Mechanical Vertical Hook
	H71D1	Computerized Horizontal Hook
	82N0	Mechanical Vertical Hook
	KXXV	Mechanical Vertical Hook
	MA10E	Mechanical Vertical Hook
	Q75H	Mechanical Horizontal Hook
	H10N	Computerized Horizontal Hook
	K75U	Mechanical Vertical Hook
	QMXXA	Mechanical / Electronic

【 102-6 】 Through technology investment, Zeng Hsing keep develop creative product and service that can meet customer requirement. Furthermore, customer retention is important, but Zeng Hsing also develop new customer from all over the world. Today our products are presence in over 100 countries.

Handmade and DIY culture is gaining prominence in Europe and USA. To made this trend become more popular in Asia. Zeng Hsing establish Riccar sewing machine center in Taiwan. Riccar philosophy is inherided Japanese embroidery master craftsmanship and impressive service. Customer can find different kinds of sewing machine, fabric; sewing equipments and tools in Riccar, and also customer can learning sewing technique from professional teacher through sewing lesson.

Sales market share 【 102-6 】

16



1.3 Operating and financial information 【201-1】

The global household sewing machine market has grown at 3% per year over the past decade. Zeng Hsing annual sales and operating revenue also grew stably follows the global trend.

“The bigger the stronger and the stronger is getting strong”, this is the global trend nowadays. Sewing machine industry must be vertical integration; one-stop production is the only way to have our position in the international market.

There are 3 plants in Zeng Hsing Vietnam factory 2: injection plant (floor space 38,400m²), processing plant (floor space 18,800m²) and die-casting plant (floor space 8,750m²). From raw materials, casting, CNC machining, plastic injection, printing, assembly to finished products, all the processes can be done once in factory 2. One-stop production and effective allocation of resources consolidate Zeng Hsing’s competitive advantage.

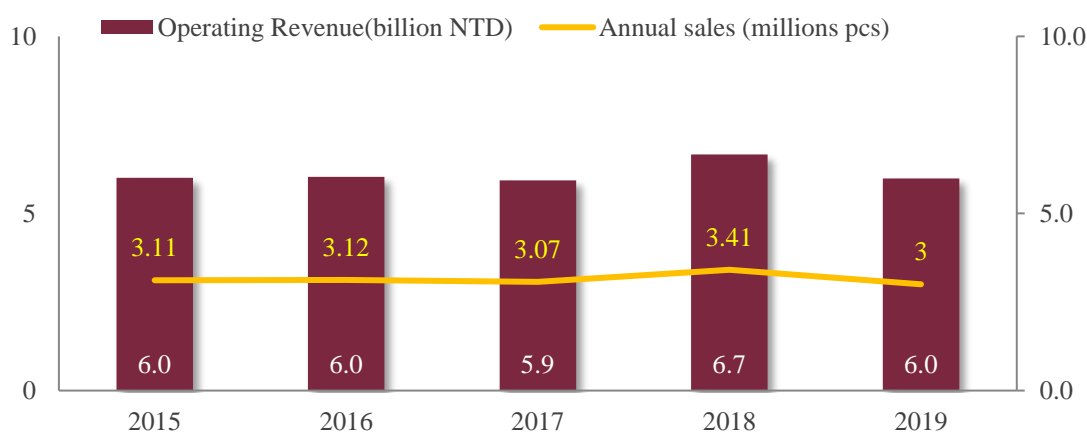
Operational Data

Data/Year	2017	2018	2019
Operating Revenue	5,994	6,670	5,936
Operating costs	5,108	5,628	5,085
Employee payroll and benefits/welfare	889	968	891
Tax expenditure	173	341	217
Retained earnings	2,573	2,975	2,983
Dividends expenditure	515	666	533

Unit : Millions (NTD)

* Company to distribute profits to shareholders in the form of dividends, and are distributed by the resolution of the board of directors in the following year.

*Employee salary and benefits include salary expenses, labor and health insurance, retirement expenses, directors’ remuneration, and other employee welfare expenses.



✳ DMA – Economic Performance

	Reporting requirements	Disclosure Requirements
103-1	An explanation why the topic material	Company have a responsibility to ensure that the company is well managed, to ensure profit maximization.
	Boundary	ZH Group
	Specific limitation	This disclosure pertains to the entire Zeng Hsing Group.
103-2	2020 Goals	ZH Group : Annual sales 3.05 million Pcs
103-3	Evaluation Mechanisms	ZH Group : To ensure company operation effectively, Corporate Management Committee held monthly meeting to check the production and sales status.
	Performance	ZH Group : 2019 Operating revenue = 5.9 billion NTD 2019 Annual Sales = 3.00million Pcs

*Companies in the same industry and well above our competitors,

1.4 Membership of associations

Zeng Hsing attend sewing machine industry association to exchange information with competitors .The purpose is to better understand the sewing industry environment and hope to accelerate the improvement and development of the industry.

ZH group membership of association 【102-13】

Category	NO.	Unit	Job title	Participant
Sewing machine industry	1	Taichung Sewing Machine Guild	Supervisor	Operational advisor of ZH Taiwan
	2	Taiwan Sewing Machine Industry Association	Managing Director	Operational advisor of ZH Taiwan
	3	Taipei Sewing Machine Association	Member	CEO of ZH Group
	4	China Sewing Machinery Association-household sewing machine	Vice President	GM of ZH China
Business association	5	The Entrepreneur Club	Member	CEO of ZH Group
	6	Taichung professional management association	Member	CEO of ZH Group
Others	7	Taiwan Business Association in Vietnam (BTBVN)	Member	CEO of ZH Group GM of ZH Vietnam GM of Shinco

2 Stakeholders Identification and Communication

Stakeholder identification and communication are the basis of corporate social responsibility. In order to understand stakeholders ‘concern level of Zeng Hsing economic, human right, social impact, product and environment aspect, Zeng Hsing soliciting more shareholder opinions by questionnaire, customer mail, shareholders ‘meeting and staff welfare committee.

2.1 Stakeholders interactive

【102-40、43、44】 Zeng Hsing CSR office convenes meetings with relevant units and identifies key stakeholders with reference to the same-industry experiences and stakeholder definitions in the GRI Standard guidelines. **The 7 main types** of Zeng Hsing stakeholders are employees, Supplier, local community, customers, banks, shareholders, insurance company and government agencies.

A total of 188 online questionnaires responses were collected in 2019. After analysis, there are **16** major issues of high priority and high impacts were compiled.

	Type	Numbers
Questionnaire -Level of impact on company	Executives of the rank of manager or above	37
	External experts/consultants	6
	Subtotal	43
Questionnaire -Level of concern from stakeholders	Banks & Shareholders	26
	Insurance company	5
	Government agencies	6
	Customers	11
	Supplier	26
	Local communities	10
	Employees	61
	Subtotal	145
Total		188

Issues of Concern to Stakeholders and Communication Channels

Businesses that ignore CSR run a risk to their brand. Having a bad reputation of environmental, social, human rights, products responsibility, labor practice and decent works can create serious negative effects on the overall profitability and success of a company. Therefore, Zeng Hsing is concern about the opinions from stakeholders.

Internal stakeholders

Company announces employee benefits, working conditions and company policies through departmental meeting or weekly meeting. Moreover, company also has welfare committee to secure employees’ benefit. In 2016, Zeng Hsing Taiwan formulated employee grievance policy, to protect the rights of employee. The purpose

of grievance policy is to provide a mechanism for employees to raise a grievance arising from their employment. The Policy will also ensure that such grievances are dealt with promptly, fairly and in accordance with other related Policies of the Organization.

External stakeholders

Through supplier conference, supplier can understand Zeng Hsing product relevant quality policy. Customers can communicate with Zeng Hsing through mail or phone. Others external stakeholders can follow latest news of Zeng Hsing from the website, interview or reports by social media. In addition, Zeng Hsing also has the following communication channels such as phone and e-mails.

Communication channels	Name	Phone number	Email
Switchboard Operator		04-2278-5177 #9	
Spokesman	Sam Chou	04-2278-5177 #182	spokesman@zenghsing.com.tw
Deputy spokesman	Jodie Lin	04-2278-5177 #292	jodie_lin@zenghsing.com.tw
Board supervisor	Huang Hui Yu		supervisor_huang@zenghsing.com.tw
Customer service	Rita Hsueh	04-2278-5177 #133	sales@zenghsing.com.tw
CSR	Claire Chung	04-2278-5177 #589	csr@zenghsing.com.tw
Procurement	Kelly Wan	04-2278-5177 #255	kelly_wan@zenghsing.com.tw

2019 Zeng Hsing compliance with laws and regulations in the Environment, Social and Economic area.

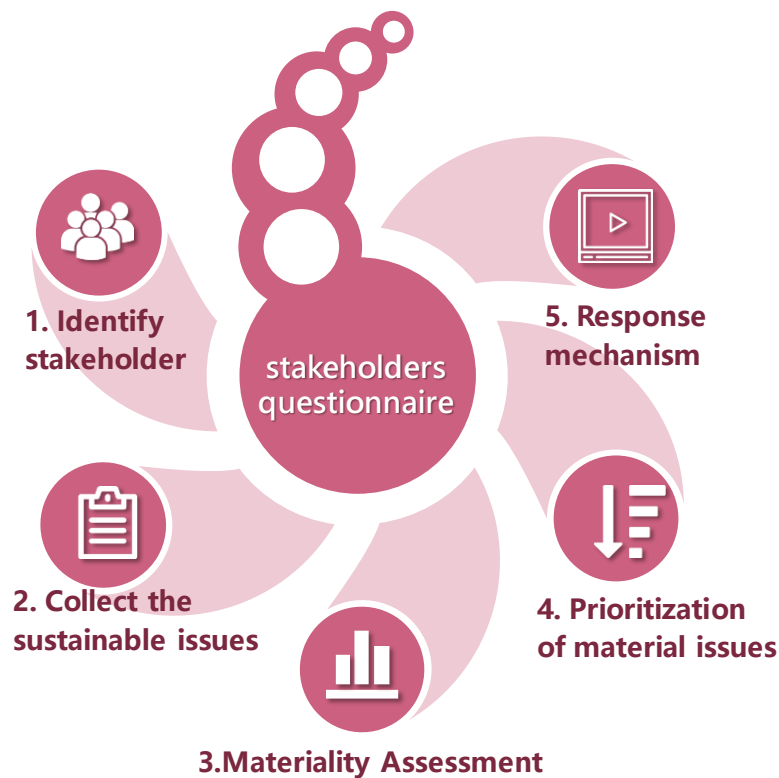
Stakeholder concern issues and Communication Channels

Stakeholder	Issues	Communication Channel
Customers	product quality/ cost/delivery, Company operation status, Compliance with laws and regulations	<ol style="list-style-type: none"> 1. Visits customer company (non-scheduled) 2. Customer service mailbox (non-scheduled) ° 3. Customer satisfaction surveys (Customers who have transactions in 2019) 4. Email 、 phone (frequently 、 non-scheduled) 5. Participation in exhibitions. (non-scheduled) ° 6. Customer representatives visiting Zeng Hsing factory (non-scheduled)
Shareholders /Banks	Company operation status 、 dividend policy	<ol style="list-style-type: none"> 1. Institutional investor visits (monthly) 2. Annual shareholder meeting (annually) 3. Zeng Hsing website, financial report (annually) 4. Investor services mailbox 5. Spokesman and Dedicated personnel replies 6. online communication platform (non-scheduled) 7. Bank visits (non-scheduled)
Employees	Employee compensation and benefits, Corporate Governance, Labor Relations Occupational health and safety	<ol style="list-style-type: none"> 1. Zeng Hsing website 2. The Employee Welfare Committee 3. Labor Union
Local communities	Occupational & environment Management, Charity activities	<ol style="list-style-type: none"> 1. Zeng Hsing website & Email 2. Participation in Charity activities
Government agencies	Occupational health and safety, Human rights	<ol style="list-style-type: none"> 1. Official letters 2. Participation in government meetings
Supplier	Supply chain management 、 Compliance with laws and regulations	<ol style="list-style-type: none"> 1. Supplier conference 2. Onsite Audit
Insurance company	Company operation status 、 Compliance with laws and regulations	<ol style="list-style-type: none"> 1. Telephone, Email 2. Visiting Zeng Hsing factory

In 2019, Zeng Hsing participated The China International Sewing Equipment Exhibition (CISMA, the world's largest professional sewing equipment exhibition), to display the latest sewing machine models and technologies of Zeng Hsing. We went straight to the customers for feedback on product development, and understand current market trends.



2.2 Stakeholders Identification and Materiality Assessment



Issues :

Economy (6 aspects)
Environmental (8 aspects)
Social (19 aspects)

Level of Concern & Level of impact :

Very low, low, neutral, high, very high

We established the systematic major analysis to identify the concern of stakeholders, and it becomes a basic framework to achieve effective communication between the stakeholders and CSR report. Zeng Hsing has divided the major analysis process to five major processes: 【102-46】

Step 1 Identify stakeholder 【102-42】

According to AA1000 SES standard, Zeng Hsing discussed with senior managers to identify 7 major stakeholders, including employees, Supplier, local community, customers, banks, shareholders, insurance company and government agencies.

Step 2 : Collect the sustainable issues : questionnaire

Base on GRI STANDARD 33 aspect, we established ZengHsing CSR report framework. The issues are collected from internal and external sources include CSR regulations/standards and international initiatives.

Step 3 : Materiality Assessment

Defines the interaction and criticality of the 7 major stakeholders with Zeng Hsing and decides the survey targets. According to the questionnaire results, 16 issues are analyzed and discussed in 2019.

Step 4 : Prioritization of material issues

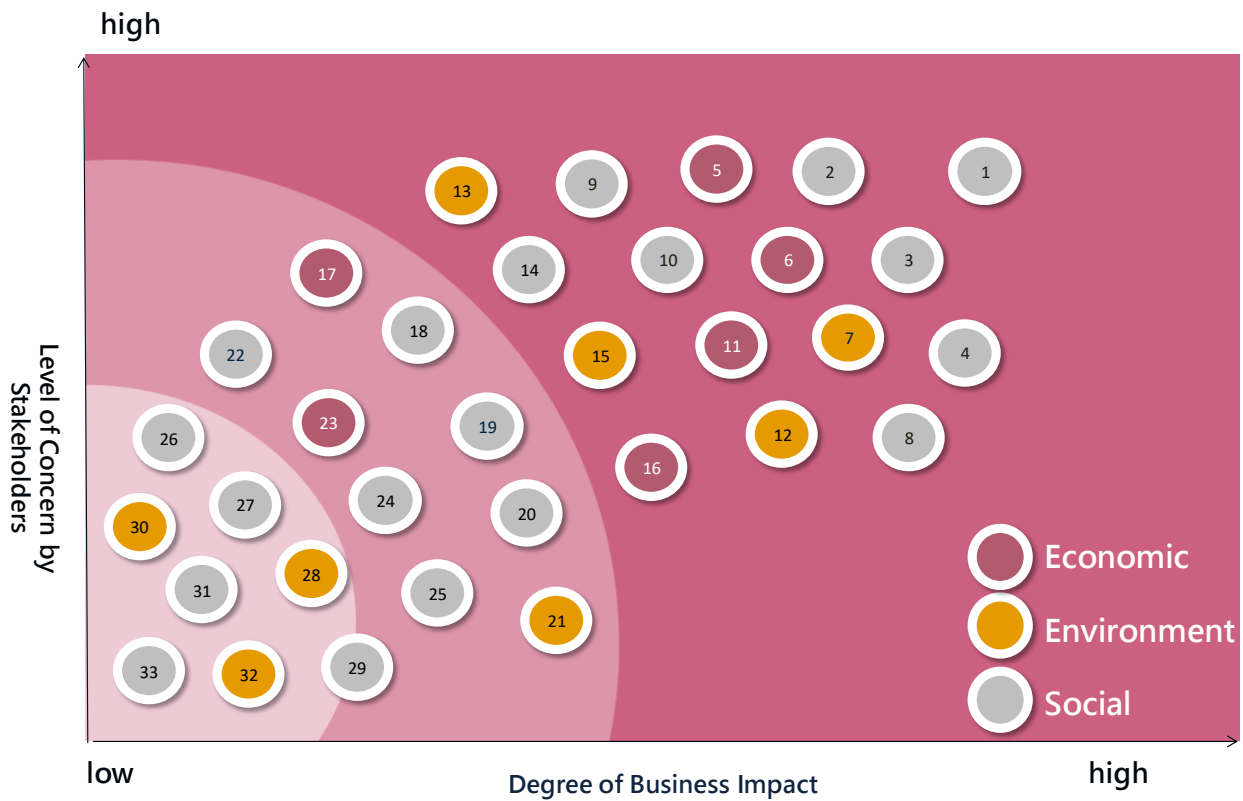
Accroding to the materiality assessment, Zeng Hsing CSR Office disscussed with senior managers to decided boundaries and scope of issues. These issues are disclosed as top priorities for Zeng Hsing's CSR report.

Step 5 : Response mechanism

Zeng Hsing development strategy included all of the material issues, with the PDCA method to control and continuous improvement of ESG, to strengthen the communication with stakeholders.



✳ Results of Materiality Analysis




1	Socioeconomic Compliance	13	Energy	25	Local Communities
2	Labor Management Relations	14	Child Labor	26	Non discrimination
3	Training and Education	15	Emissions	27	Human Rights Assessment
4	Customer Health and Safety	16	Indirect Economic Impacts	28	Materials
5	Economic Performance	17	Market Presence	29	Security Practices
6	Anti corruption	18	Forced or Compulsory Labor	30	Water
7	Environmental Compliance	19	Customer Privacy	31	Rights of m Indigenous Peoples
8	Employment	20	Diversity and Equal Opportunity-	32	Biodiversity
9	Occupational Health and Safety	21	Supplier Environmental Assessment	33	Public Policy
10	Marketing and Labeling	22	Supplier Social Assessment		
11	Procurement Practices	23	Anti competitive Behavior		
12	Effluents and Waste	24	Freedom of Association and Collective Bargaining-		

✳ **Materiality issue scope and boundary** 【102-47】

▲ = Materiality Issue

● = Materiality Issue, disclosure in this report

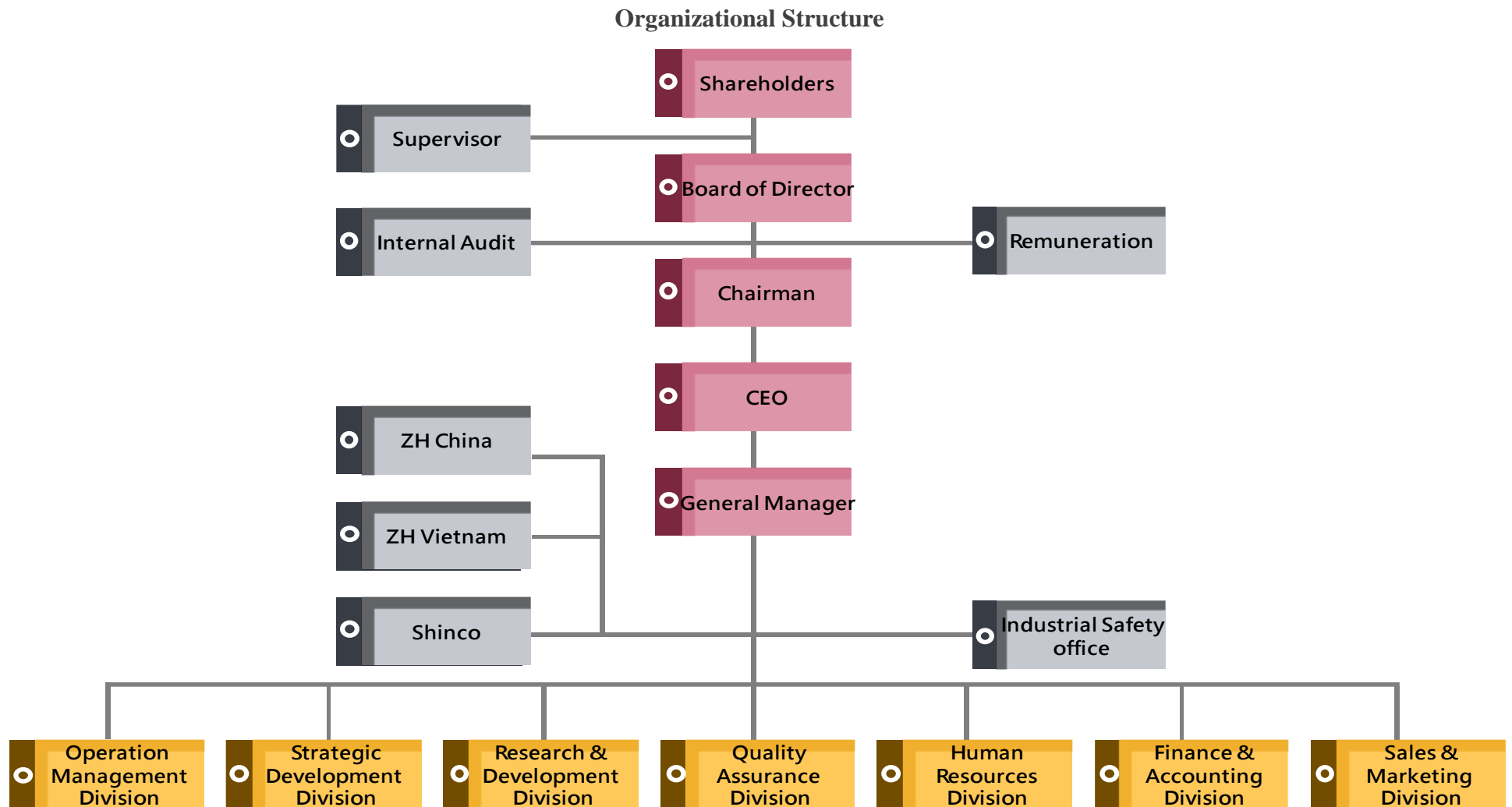
Aspect	Order	Material Issue	Within organization					Outside organization			DMA Related Chapter
			ZH Taiwan	ZH Vietnam	ZH China	Shinco	Suppliers	The Community and the Public	Insurance company	Customers	
Economic 	5	Economic Performance	●	●	●	●				▲	1.3 Operating and financial information
	6	Anti corruption	●	●	●	●				▲	3.3 Enforcing Ethical Management
	11	Procurement Practices	●	●	●	●				▲	4.5 Supply Chain Management
	16	Indirect Economic Impacts	●	●							6.1 Social Welfare
Environment 	7	Environmental Compliance	●	●	●	●	▲	▲			3.5 Regulatory Compliance
	12	Effluents and Waste	●	●	●	●		▲			7.2 Waste Management
	13	Energy	●	●	●	●					7.1 Energy and Resource Usage and Greenhouse Gas Inventory
	15	Emissions	●	●	●	●	▲	▲			7.1 Energy and Resource Usage and Greenhouse Gas Inventory

Aspect	Order	Material Issue	Within organization					Outside organization			DMA Related Chapter
			ZH Taiwan	ZH Vietnam	ZH China	Shinco	Suppliers	The Community and the Public	Insurance company	Customers	
Social 	1	Socio economic Compliance	●	●	●	●		▲	▲		3.5 Regulatory Compliance
	2	Labor Management Relations	●	●	●	●					5.2 Employee Benefits and Rights
	3	Training and Education	●	●	●	●	▲		▲		5.3 Employee Training and Development
	4	Customer Health and Safety	●	●	●	●	▲			▲	4.4 Green Procurement
	8	Employment	●								5.2 Employee Benefits and Rights
	9	Occupational Health and Safety	●	●	●	●	▲	▲			5.4 Occupational Health and Safety Management
	10	Marketing and Labeling	●	●	●	●	▲				4.2 Marketing of Products and Services
	14	Child Labor	●	●	●	●					3.5 Regulatory Compliance

3 Corporate Governance

3.1 Corporate Governance

2019/10/1 VERSION



Zeng Hsing Ranked in the Top 21%–35% in the 6th Corporate Governance Review

Zeng Hsing participated in the 6th Annual Corporate Governance Review co-commissioned by the Taiwan Stock Exchange Corporation (TWSE) and Taipei Exchange Securities Market Foundation (TPEX) and administered by the Securities and Futures Institute (SFI). We were among the 1,600 publicly traded companies reviewed—a group which included 901 TWSE-listed and 699 TPEX-listed companies. An internal review was conducted by the company between October of 2019 and January 2020, followed by an external review conducted by the SFI with an explanation by the company of the discrepancies between the two reviews. The result was that Zeng Hsing ranked in the top 21%–35% of all participating companies (see notes below).

Scoring criteria: The final score was calculated as the sum of the individual scores for all four constructs (maximum 100 points available) with applicable bonus points added (for item categories AA and A+) and penalty points subtracted. The score for each construct was calculated as follows:

$$\text{Construct score} = \frac{\text{No. of indices satisfied}}{\text{No. of indices in the construct} - \text{No. of inapplicable constructs}} \times \text{Weight} \times 100$$

By reviewing its corporate governance framework, Zeng Hsing has effectively improved its internal control protocols and mechanisms, further enabling the Company to achieve sustainable operations. In an attempt to further strengthen corporate governance, the Financial Management Division included several goals related to improving internal controls in the Company's CSR objectives, including English language financial disclosure information, voluntary disclosure of remuneration paid to directors and supervisors, and the formulation of a human rights policy. These efforts resulted in a 4% increase in the total score over the previous year, allowing us to remain in the top 21%–35% of all companies that participated in the review. We believe that with a bit of healthy corporate competition, the Company can further strengthen its corporate governance while keeping stakeholders informed of the latest implementation outcomes.



Notes:

1. According to the *Corporate Governance Review Manual*, companies are divided into two groups, TWSE-listed and TPEX-listed. Each group is then listed in one of seven categories: top 5%, top 6%–20%, top 21%–35%, top 36%–50%, top 51%–65%, top 66%–80%, and 81%–100%.
2. Following audits by the Corporate Governance Review Committee and Corporate Governance Consulting Committee, the final results will be published on the Corporate Governance Center's website for investors to reference.

Director and Supervisor Information 【102-22】

Title	Name	Sex	Education and Experience	Other Positions Held in or outside of the Company
Chairman	Chih-Cheng Lin	M	<ul style="list-style-type: none"> • EMBA, National Chung Hsing University • General Manager of the Company 	<ul style="list-style-type: none"> • Chairman of Zeng Hsing Machinery & Electronics Co., Ltd. • Chairman of Zhangjiagang Zeng Hsing Trading Co., Ltd. • Director of Zeng Hsing Industrial Co., Ltd. • Chairman of Zeng Hsing Industrial Co., Ltd. (VN) • Chairman and President of Shinco Technologies Limited (VN) • Chairman of Mitsumichi Industrial Co. Ltd. • Chairman of Zhangjiagang Free Trade Zone Cheau Hsing Machinery & Electronics Co., Ltd.
Director	Rui-Yi Hong	M	<ul style="list-style-type: none"> • Dept. of Electrical Engineering, National United University • Supervisor of the Company 	<ul style="list-style-type: none"> • Director of Chiuan Hung, Ltd.
	Shu-Cheng Liao	M	<ul style="list-style-type: none"> • Dept. of Electrical Engineering, National Chin-Yi University of Technology • Supervisor of the Company 	<ul style="list-style-type: none"> • General Manager of Long Huan Enterprise, Ltd. • Chairman of Shenghong Investment Co., Ltd.
	Chong-Guang Tsai	M	<ul style="list-style-type: none"> • Dept. of Secretarial Studies, Shih Chien University • Manager at Can Xin investment Co., Ltd. 	<ul style="list-style-type: none"> • Chairman of Yirujie Investment Co., Ltd. • Director of Chan Yao Enterprise Co., Ltd.
	Feng-ji Li	M	<ul style="list-style-type: none"> • Own Lead Primary School • Supervisor of the Company 	<ul style="list-style-type: none"> • Director of Yingfeng Aluminum Industry Co., Ltd. • Chairman of Quancheng Machinery Co., Ltd.
Independent Director	Zhi-Sheng Wu	M	<ul style="list-style-type: none"> • Bachelor of Information Management, Tamkang University • Master of Management Science, National Chiao Tung University • Vice-President of HSBC Hong Kong 	<ul style="list-style-type: none"> • Vice Chairman of Turvo International Co., Ltd. • Director of Zhu Ling Investment • Director of Matec Southeast Asia (Thailand) Co., Ltd.
	Ming-Liang Tang	M	<ul style="list-style-type: none"> • Bachelor of Accountancy, National Cheng Kung University • Master of Accountancy, National Cheng Kung University • Manager at Ernst & Young LLP • CFO of Dongguan Rongtai Plastic Materials Co., Ltd. • Partner at Sunpower CPAs & Co. 	<ul style="list-style-type: none"> • Partner at Sunpower CPAs & Co. • Member of the Salary and Remuneration Committee, Lung Pien Vacuum Industry Co., Ltd. • Member of the Salary and Remuneration Committee, Zeng Hsing Industrial Co., Ltd. • Member of the Audit Committee/Remuneration Committee, Lagis Enterprise Co., Ltd.
	Jun-Ming Xu	M	<ul style="list-style-type: none"> • Ph.D. in Finance, Syracuse University • Associate Professor and Director of Corporate Lectures, Department of Business Administration, Tunghai University • Dean, Department of Finance, Tunghai University 	<ul style="list-style-type: none"> • Professor, Department of Finance, National Chung Hsing University • Independent Director at Horizon Securities Co., Ltd. • Independent Director at Sinon Corporation
Supervisor	Meng-Zong He	M	<ul style="list-style-type: none"> • Taya Elementary School • Dept. of Interior Design, Ming-Der Senior High School • Factory Director at the Company • President of Shanghai Antu International Trade Co. 	N/A

Title	Name	Sex	Education and Experience	Other Positions Held in or outside of the Company
			<ul style="list-style-type: none"> • Director of the Company • President, Magiclife International Co., Ltd. • Supervisor of the Company 	
	Bai-Song Zhang	M	<ul style="list-style-type: none"> • EMBA, Feng Chia University • Career Development Manager at the Company • New Business Development Manager at the Company • Chief Project Manager of the Company 	N/A
	Hui-Yu Huang	F	<ul style="list-style-type: none"> • EMBA in Finance, National Chung Hsing University • Certified public accountant of the Republic of China • Accounting Manager, Hungkuang University • Audit Manager, Zhongxin United Accounting • Deputy Chair of the Professional Advancement Center and Secretary at Hungkuang University 	• Partner at Yangtze CPAs & Co.

Directors (including independent directors) and supervisors are nominated by the Board of Directors and elected at the Shareholders Meeting. The incumbent Board of Directors consists of five directors and three independent directors aged between 48 and 80, each with rich experience in academia and the industry. At least one board meeting is convened every quarter. In 2019, six board meetings were convened. 【102-24】

Attendance Records for the 17th Board of Directors (2019) Meetings

Title	Chair-man	Director				Independent Director			Supervisor			
Name	Chih-Cheng Lin	Rui-Yi Hong	Shu-Cheng Liao	Chong-Guang Tsai	Feng-ji Li	Zhi-Sheng Wu	Ming-Liang Tang	Jun-Ming Xu	Zhen-Shun He ¹	Bai-Song Zhang	Hui-Yu Huang	Meng-Zong He ²
Attended	6	6	6	6	6	6	6	6	0	6	6	4
Absent/attended by a proxy	0	0	0	0	0	0	0	0	0	0	0	0
Attendance rate	100%	100%	100%	100%	100%	100%	100%	100%	NA	100%	100%	100%

¹ Zhen-Shun He resigned from his position as supervisor on February 25, 2019.

² Meng-Zong He was appointed supervisor on June 14, 2019.

Continuing Training Received by Directors and Supervisors in 2019 (hours)

Training	Chair-man	Director				Independent Director			Supervisor		
	Chih-Cheng Lin	Rui-Yi Hong	Shu-Cheng Liao	Chong-Guang Tsai	Feng-ji Li	Zhi-Sheng Wu	Ming-Liang Tang	Jun-Ming Xu	Meng-Zong He	Bai-Song Zhang	Hui-Yu Huang
May 2, 2019 A Closer Examination of Key Underlying Messages in Financial Reports	3	3	3	3	3	3	3	3		3	3
June 20, 2019 Tax Planning and Stock Transfer Practices for Directors, Supervisors, and Accounting Managers								3			
July 30, 2019 Internal Control Practices for the Updated Version of the <i>Corporate Governance Roadmap</i> (2018-2020)									6		
August 16, 2019 Regulatory Compliance Regarding the Internal Trading of Shares for Public Companies or Private Companies Preparing for an IPO									3		
September 11, 2019 Case Studies in Anti-Money Laundering Regulations								3			
November 7, 2019 The Responsibilities and Obligations of Directors and Supervisors with Regard to Corporate Governance	3	3	3	3	3	3	3		3	3	3
Total	6	6	6	6	6	6	6	9	12	6	6

【102-25】 Pursuant to the *Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies* and other applicable regulations prescribed by the competent authority, Zeng Hsing has established the following internal control guidelines to increase its operational transparency, strengthen its corporate governance, and protect the rights of its investors and stakeholders: ***Principles of Corporate Governance, Principles of Ethical Corporate Management, Guidelines and Standard Operating Procedures for Ethical Corporate Management, Rules of Procedure for Board of Directors Meetings, Rules of Procedure for Shareholders Meetings, Rules Governing Financial and Business Matters Between Zeng Hsing and its Affiliated Enterprises, and Articles of Incorporation.***

Zeng Hsing's Board of Directors issued a resolution in May 2017 mandating that all future CEO appointments shall be announced on the Market Observation Post System (MOPS) as a means of reinforcing internal control, enhancing risk management, ensuring the separation of powers, protecting the rights of investors and stakeholders, and ultimately, increasing the effectiveness of corporate governance.

The Board of Directors is responsible for determining the direction of the Company, monitoring operational outcomes, preventing conflicts of interest, identifying and mitigating risks, and ensuring that the Company is in compliance with various laws and regulations. The Company's *Rules of Procedure for Board of Directors Meetings, Principles of Ethical Corporate Management, and Code of Ethical Conduct* all have explicit stipulations on the avoidance of conflicts of interest. Directors or their representatives who have a conflict of interest in regard to any motion that may be detrimental to the Company's interest may still be present at the meeting to express their opinions and address stakeholders' concerns, but they are forbidden from participating in discussion or voting, and they shall not authorize another director to vote on their behalf.

In 2019, Zeng Hsing had 8 directors (3 of whom were independent directors) and 3 supervisors. Their remuneration was recommended by the Remuneration Committee and approved by the Board of Directors. In order to streamline communication with stakeholders, Zeng Hsing has a spokesperson, a corporate website, and an investor mailbox in place to address shareholders' concerns and inquiries. The names of the Company's major shareholders are published in the annual reports distributed to shareholders at Shareholders Meetings. In addition, information on equity transfer is reported to the competent authority by the 15th day of the succeeding month to ensure complete transparency to our stakeholders.



✳ Directors', Supervisors', and Managers' Remuneration 【102-35、36】

Remuneration Committee Charter: To ensure a sound system for the compensation of directors, supervisors, and managerial officers of the Company. Zeng Hsing has adopted this Remuneration Charter pursuant to Article 14-6 of the *Securities and Exchange Act* and the *Regulations Governing the Appointment and Exercise of Powers, by the Remuneration Committee of a Company Whose Stock is listed on the Taiwan Stock Exchange or the Taipei Exchange*. Two Remuneration Committee Meetings were convened in 2019. The committee consists of three members appointed by the Board of Directors, two of whom also serve as independent directors of the Company. The third member of the committee is an assistant professor at a university who has extensive knowledge and experience in human resources management. Mr. Jun-Ming Xu currently serves as the convener and chairperson of the committee.

Remuneration Committee Members' Educational and Work Background

Name	Education	Qualifications
Jun-Ming Xu	Ph.D. in Finance, Syracuse University	<ul style="list-style-type: none"> • Associate Professor and Director of Corporate Lectures, Department of Business Administration, Tunghai University • Dean, Department of Finance, Tunghai University • Professor, Department of Finance, National Chung Hsing University • Independent Director at Horizon Securities Co., Ltd. • Independent Director at Sinon Corporation
Ming-Liang Tang	Bachelor of Accountancy, National Cheng Kung University Master of Accountancy, National Cheng Kung University	<ul style="list-style-type: none"> • Partner at Sunpower CPAs & Co. • Member of the Remuneration Committee, Lung Pien Vacuum Industry, Co. Ltd. • Lecturer at Asia University • Lecturer at Dayeh University • Manager at Ernst & Young LLP • CFO of Dongguan Rongtai Plastic Materials Co., Ltd. • Partner at Sunpower CPAs & Co.
Ming-Cong Zhao	Ph.D. in Human Resources Management, National Sun Yat-sen University	<ul style="list-style-type: none"> • Assistant Professor at the Department of Health Care Administration and Director of the Shengen Development Center, Chang Gung University • Vice President and Chief Advisor, Watson Wyatt • Associate Manager of Consulting at KPMG

The remuneration paid to executives is determined by the Remuneration Committee in accordance with applicable regulations and is disclosed in the Company's annual reports. In determining remuneration, members of the Remuneration Committee may consult outside experts in salary and compensation to resolve important issues as necessary. The compensation package for general managers and deputy general managers includes base salary, bonuses, employee dividends, and employee stock options. Their remuneration is determined based on the position they hold, the responsibilities they undertake, the operational outcomes they contributed to, and average compensation amounts among our competitors. The remuneration paid to directors and supervisors totaled NT\$ 4.6 million in 2019 and NT\$ 4.7 million in 2018, accounting for 0.82% and 0.67% of distributed earnings or 0.53% and 0.38% of EBIT (net of estimated employee compensation and director/supervisor remuneration).

The compensation package for general managers and deputy general managers includes base salary, bonuses, employee dividends, and employee stock options, whose quantity is determined based on the position they hold, the responsibilities they undertake, the operational outcomes they contributed to, and the average compensation levels among our competitors. According to the consolidated financial statements of the Company and its subsidiaries, compensation paid to general managers and deputy general managers accounted for 4.45% and 4.82% of our net income in 2019 and 3.43% and 3.46% in 2018. We believe that such compensation is reasonable.

3.2 The CSR Office and Its Organizational Structure

To continue strengthening its corporate social responsibility efforts, Zeng Hsing launched its official Corporate Social Responsibility Office (CSRO) in April 2018 along with a CSR Committee and a set of CSR policies.

The chairperson of the Company serves as advisor to the CSR Committee, and the general manager serves as the chair of the committee. Each functional organization appoints the department head to serve as a committee member, responsible for overseeing the implementation of CSR policies, and one executive director and one secretary each to be in charge of collecting and providing data for their respective divisions, to help the Company achieve its CSR objectives according to plan.

The CSRO collects and analyzes data on sustainable development trends and issues involving risk from around the world. For example, for the first time ever, the top 5 risk factors identified in the 2020 Global Risks Report all pertain to environmental issues. Therefore, carbon emissions reduction continues to be one of our top CSR concerns. Furthermore, the CSRO conducts annual surveys of stakeholders' needs and identifies the relevant risks and opportunities for the Company. Based on the results, the CSRO then works alongside the CSR Committee to draw up strategies and action plans to mitigate their impacts on the Company's operations. All CSR objectives and implementation outcomes are disclosed in our annual CSR report.

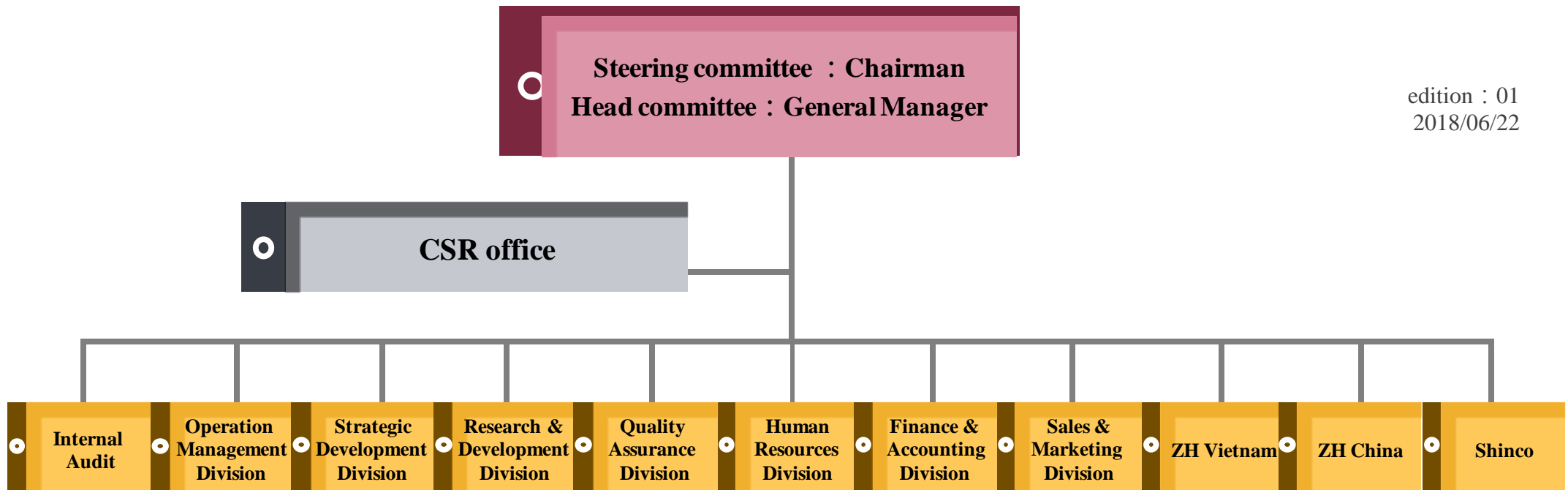
At the end of each year, the CSRO calls an Annual CSRO Consensus Meeting to review the latest CSR trends and set new goals for the coming year. The meeting also provides an opportunity for various divisions of the Company to consolidate their resources and coordinate their CSR efforts, which helps ensure that projects are carried out in accordance with the predefined timeline and that outcomes are up to par. A CSR target review meeting is convened in the second quarter of each year. Each division's CSR achievements are presented to and reviewed by all members of the CSR Committee, and are then made available to all Zeng Hsing employees through the CSR section of the Company's intranet.

In August 2019, after consultation with the chairperson and advisor of the CSR Committee, the CSRO established six priority CSR policy areas as the Company's central CSR guidelines, after which the CSRO entered into a 10-hour discussion with the executive director, secretary general, and heads of 11 functional organizations to set CSR targets for each division. In October of the same year, the annual CSR Consensus Meeting was convened, during which 50 CSR targets involving 11 business divisions were formulated for the year 2020 following a two-hour discussion by members of the CSR Committee. These targets mostly pertain to environmental protection and employee welfare.

CSR Policy



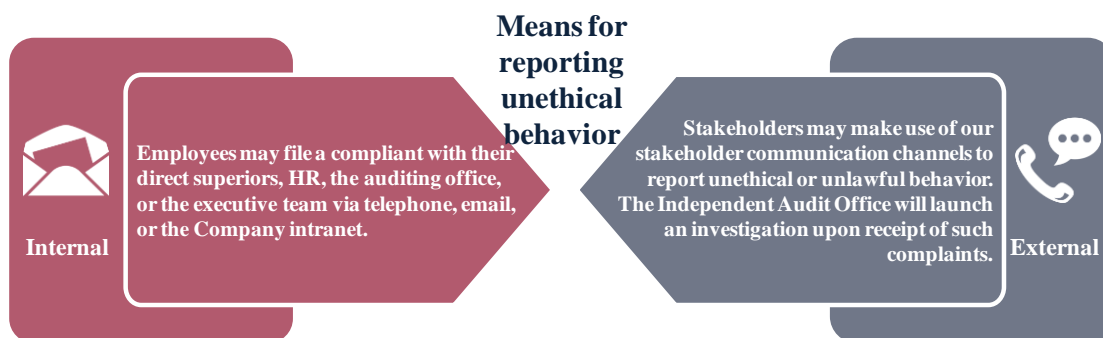
Corporate Social Responsibility Committee



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3.3 Enforcing Ethical Management

To enforce ethical management practices and prevent employees from engaging in unethical or unlawful behavior, Zeng Hsing set up internal and external communications channels for reporting such behavior. **In 2019, neither the supervisor's mailbox nor the CSR mailbox received any complaints related to unethical behavior.**



* Fighting corruption

To fight corruption, Zeng Hsing has formulated its *Workplace Management Rules*, *Code of Ethical Conduct*, *Principles of Ethical Corporate Management*, and *Guidelines and Standard Operating Procedures for Ethical Corporate Management* to ensure that the Company's directors, managers, and employees act in accordance with ethical standards. Any acts of corruption, bribery, or extortion are strictly prohibited and are grounds for immediate dismissal. **No employees were dismissed as a consequence of corruption, bribery, or extortion in 2019.** The Company has implemented the following measures to further enhance our anti-corruption and ethical management efforts:

1. Clearly communicating Zeng Hsing's *Principles of Ethical Corporate Management* with our business partners
2. Immediately ceasing all business relationships with partners engaging in unethical behavior and putting them on a blacklist
3. Explicitly including the Principles of Ethical Corporate Management in the contract whenever a new business relationship is established

Zeng Hsing has a supervisor's mailbox and a CSRO hotline in place to receive complaints about unethical behavior, which are then forwarded to the Audit Office for processing in accordance with applicable regulations. The auditing staff undergoes regular training on investigating unethical behavior, and they are equipped with the professional knowledge needed to conduct investigations.

The Audit Office conducted a group-wide risk assessment for fraud at every business location. Senior managers at each location were asked to self-evaluate the risk of fraud at their respective locations, and the Audit Office paid an onsite visit to

locations with a higher level of risk. In December 2019, the Audit Office performed an onsite inspection at the Shanghai location, and no material internal control risks were identified. Similar risk control procedures will continue to be carried out in 2020.

In addition, in June 2019, the Company put up anti-corruption posters at the Taiwan Headquarters to promote awareness of the importance of ethical corporate management and fighting corruption in the Company's operations.

* DMA –Anti corruption

	Reporting requirements	Disclosure Requirements
103-1	An explanation why the topic material	To win our customers' and partners' trust, respect, and continued business, it is of the utmost importance that Zeng Hsing strictly abides by its belief in ethical corporate management.
	Boundary	Group
	Specific limitation	This disclosure pertains to the entire Zeng Hsing Group.
103-2	Purpose of the management approach	Creating and fostering a corporate culture of integrity and ethical management.
	2020 Goals	1. Holding ethical management and anti-corruption workshops 2. Requiring new suppliers to sign an ethics agreement
103-3	Evaluation Mechanisms	The Company has formulated the <i>Workplace Management Rules, Code of Ethical Conduct, Principles of Ethical Corporate Management, and Guidelines and Standard Operating Procedures for Ethical Corporate Management</i> . We also require all suppliers to sign the <i>Integrity and Confidentiality Agreement</i> as guidelines for ethical behavior. The Audit Office performs periodic audits to ensure compliance, the results of which are reported to the Board of Directors for review.
	Performance	Zeng Hsing Group <ol style="list-style-type: none"> No cases of corruption were reported in 2019. All new suppliers to Zeng Hsing's four plants have signed the <i>Integrity and Confidentiality Agreement</i>. Taiwan Headquarters <ol style="list-style-type: none"> The Audit Office assisted in the organization of an anti-corruption training workshop, which was attended by a total of 104 employees.

3.4 Risk Management

Corporate Management Committee and Corporate Consensus Meeting

In 1993, Zeng Hsing established its Corporate Management Committee to keep the management team updated on changes in the business environment and industry trends and to strengthen risk management. The Committee is made up of the head of each department, division, and foreign plant. The Strategic Development Office collects data on global economic trends (including Global PMI, the raw materials price index, foreign exchange rates, etc.), compiles them into a comprehensive report on the global economy, and forwards it to members of the Corporate Management Committee, which develops strategies to mitigate the impacts of external factors on Company operations.

Zeng Hsing executives met with external consultants at the Corporate Consensus Meeting in October 2019 to discuss internal and external risks and opportunities that the Company might face. Based on the risk analysis results, a strategy roadmap and a set of operational goals were formulated. The Strategic Development Office was then responsible for following up on the progress of each division in achieving these goals and making quarterly adjustments to the roadmap based on actual performance. The ultimate goal is to improve Company management while lowering its exposure to risk by continuously monitoring and adjusting its goals.

According to the 2019 risk assessment results, the most significant risk factor was that our internal processes still needed improvement. In response, we set goals for process-oriented research and development to ensure product quality and on-time delivery while mitigating the impact of related risks on the Company's operations.



✱ Group-wide auditing plan

The Audit Office under Zeng Hsing's Board of Directors is responsible for establishing an annual group-wide auditing plan in accordance with administrative orders issued by the competent authority. The auditing plan (which details the items to be audited, as well as the date and duration of the audit) is drafted based on the rate of occurrence of compliance deficiencies in the past, the shareholding percentage of each subsidiary in the Group, internal control risks for each of the nine business transaction cycles, and the level of risk identified by each functional organization within the Company. When the audit is completed, a report is drawn up, and the Audit Office will follow up on compliance deficiencies identified during the audit to ensure that improvements are implemented and that group-level operational risks are under control.

✱ Environmental and operational risk management

Pursuant to ISO 14001 and OHSAS 18001/TOSHMS certification requirements, Zeng Hsing has formulated the *Environmental Management System Manual* and *Occupational Safety and Health Manual* in order to identify, address, mitigate, and control environmental and operational risks, enforce occupational safety and health, make good on our commitment to a safe workplace, and ensure complete compliance with government regulations.

3.5 Regulatory Compliance

✱ Compliance with certification standards

In order to ensure compliance with government regulations and meet customer needs, Zeng Hsing has received ISO 9001, ISO 14001, and OHSAS 18001/TOSHMS certifications. The compliance teams at the Taiwan Headquarters, Zeng Hsing China, Zeng Hsing Vietnam, and Shinco Technologies **each formulate their own annual audit plans and perform an onsite audit of every department within the Company to ensure that internal processes are in compliance with the aforementioned standards.** In addition to internal audits, the Company regularly commissions third-party auditors to perform external audits of environmental protection and occupational safety and health to ensure that all aspects of the Company's internal processes are in compliance with the law.

✱ Regulatory compliance audits

Zeng Hsing is committed to complying with the *Company Act, Securities and Exchange Act, Business Entity Accounting Act, Political Donations Act, Anti-Corruption Act, Government Procurement Act, Act on Recusal of Public Servants Due to Conflicts of Interest*, and other local business regulations applicable to publicly traded companies as prerequisites for ethical corporate management.

To verify that each division has established an effective system for consulting, coordination, and communication in matters related to regulatory compliance, and to see to the timely updating of internal guidelines and standard operating procedures in response to regulatory changes, the Audit Office performed 4 regulatory audits in 2019 to ascertain that every division was in compliance with corporate guidelines.

These mandated audits are performed on an annual basis pursuant to the *Regulations Governing Establishment of Internal Control Systems by Public Companies*. To mitigate risk, the Audit Office performs two audits at the Taiwan Headquarters and one each at our subsidiaries in China and Vietnam each year.

✱ DMA –Socioeconomic & Environmental Compliance

	Reporting requirements	Disclosure Requirements
103-1	An explanation why the topic material	Regulatory compliance is of the utmost importance to the Zeng Hsing Group. Lack of effective management in this regard may lead to regulatory fines in the future.
	Boundary	Group
	Specific limitation	This disclosure pertains to the entire Zeng Hsing Group.
	Purpose of the management approach	Following local environmental, manufacturing, and social regulations to mitigate operational risk and safeguard the Company's image.
103-2	2020 Goals	<ol style="list-style-type: none"> 1. Holding regulatory compliance workshops to ensure that employees are aware of the law and minimize the risk of regulatory violations 2. Zero violations of occupational safety/health and product marketing/labeling regulations
	Evaluation Mechanisms	<p>The Audit Office at the Taiwan Headquarters periodically performs regulatory audits on its subsidiaries. Business divisions are required to propose an improvement plan for any compliance deficiencies identified during an audit in order to reduce regulatory risk.</p> <p>The CSRO is responsible for keeping track of how the implementation of annual CSR targets is progressing.</p>
103-3	Performance	<ol style="list-style-type: none"> 1. Regulatory compliance audits: The Audit Office performed 2 audits at the Taiwan Headquarters and 1 each at Zeng Hsing China and Zeng Hsing Vietnam. All compliance deficiencies were addressed. The Audit Office will continue to promote awareness of regulatory compliance among the Company's employees. 2. Zero Violations: No material fines or punishments pertaining to violations of occupational health/safety regulations or voluntary product and service guidelines were issued to Zeng Hsing in 2019. Furthermore, none of Zeng Hsing's business locations received material fines or punishments pertaining to human rights, environmental protection, or labor law violations.³ We will continue to work towards our goal of zero regulatory violations.

³ According to *Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities*, a "material punishment" is a fine for a single violation that amounts to NT\$ 1 million or more.

✱ Protection of minor employees

	Underage Employee Protection Measures Within Zeng Hsing	Policy on Minor Employees at Suppliers' Plants
Taiwan	<p>The <i>Labor Standards Act</i> of Taiwan defines a child worker as “a worker over 15 years old but less than 16 years old.” According to the Act, no child worker and no worker under the age of 18 shall be permitted to do work that is potentially dangerous or hazardous in nature.</p> <p>Zeng Hsing did not have any child workers or underage employees on its payroll in 2019.</p>	<p>To ensure that our suppliers do their part to fulfil corporate social responsibility, the Taiwan Headquarters' supplier evaluation sheet contains sections pertaining to environmental protection and human rights.</p> <p>No regulatory fines pertaining to environmental protection violations or the hiring of underage employees were levied in 2019 among 1 new and 40 existing suppliers. The CSRO also visited 6 suppliers in person in 2019, and no evidence of child labor was found.</p>
Zeng Hsing Vietnam	<p>The <i>Labor Code</i> of Vietnam defines a child worker as a worker under 15 years of age and a teenage worker as a worker aged 15–18.</p> <p>Zeng Hsing Vietnam has drawn up a <i>Child and Teenage Labor Protection White Paper</i>, which prohibits the hiring of any child labor and stipulates that teenage employees shall not work in hazardous environments.</p> <p>In 2019, Zeng Hsing Vietnam employed 21 teenage interns under the age of 18. Pursuant to the Labor Code of Vietnam, the subsidiary obtained the consent of these employees' legal guardians before hiring.</p>	<p>Zeng Hsing Vietnam's procurement department required 52 of its suppliers to conduct a self-evaluation of SA 8000 (suppliers' social accountability) compliance. It also conducted on-site inspections at the plants of 10 suppliers. No evidence of child labor was found or reported.</p>
Shinco Technologies	<p>The HR department at Shinco Technologies confirms that all employees are at least 18 years of age to prevent the unintentional hiring of workers not of legal age.</p>	<p>No supplier audits on child labor were conducted.</p>
Zeng Hsing China	<p>The <i>Labor Law</i> of the People's Republic of China defines an underage worker as a worker aged 16–18. To prevent the unintentional hiring of child laborers, Zeng Hsing China's <i>Employee Management Guidelines</i> stipulate that no workers under 16 shall be hired.</p> <p>In addition, its SA 8000 management system also has drawn up a set of guidelines to protect underage employees.</p>	<p>In accordance with SA 8000 requirements, Zeng Hsing China requires all its suppliers to sign a Suppliers' Social Accountability Agreement, which stipulates zero child labor.</p>

** No fines or punishments related to child labor were issued to the Zeng Hsing Group in 2019.

4 Sustainable Products and Services

To ensure that the quality of our products and services meets customer needs and government regulations, all employees are required to follow Zeng Hsing's **Quality Management Manual**, which was formulated in accordance with the ISO **Quality Management System** standard. The Company has developed and enforced several other quality control guidelines to maintain and continue to improve the quality of our products. Through efficient teamwork, we have been able to achieve our operational objectives in quality control and improve our manufacturing processes to meet customer needs. The scope of our total quality control system covers the entire production process, including product realization planning, quotes, order acceptance, product development and design, materials procurement, manufacturing, monitoring of after-sales service, and comprehensive product quality assurance of measuring instruments.

Customer satisfaction

Every step of the production process (including product conception, research and development, trial production, manufacturing, delivery, and after-sales service) shall be performed in a way that increases customer satisfaction and provides our customers with the best price, quality, and efficiency.

Quality first

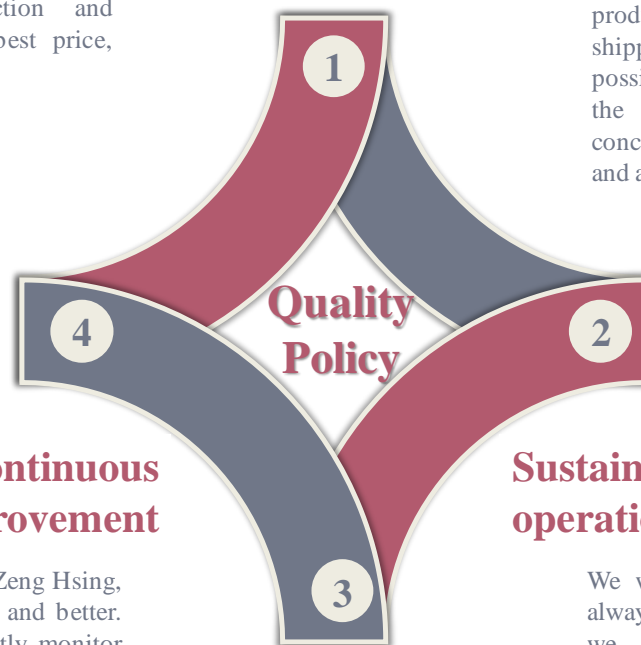
Everyone in the Company from top to bottom shares responsibility for providing quality products and services. We implement the PDCA management cycle and strictly enforce the “Three No’s”—no defective product shall be accepted, no defective product shall be produced, and no defective product shall be shipped. We strive for the highest quality possible for our customers across all stages of the production process, from product conception and R&D to manufacturing, delivery, and after-sales service.

Continuous improvement

Being good is not good enough. At Zeng Hsing, we are always striving to be better and better. We use the PDCA cycle to constantly monitor and improve our processes in response to internal and external feedback.

Sustainable operations

We want to fulfill our corporate mission by always putting our customers first. Therefore, we constantly make adjustments to our processes to improve product quality, customer satisfaction, employee welfare, and company profitability.



4.1 Corporate Certifications

Zeng Hsing has received the following quality management and environmental safety and health certifications: **ISO 9001** (Quality Management Systems), **ISO 14001** (Environmental Management Systems), **OHSAS 18001** (Occupational Health and Safety Assessment Series), and **TOSHMS** (Taiwan Occupational Safety and Health Management System).

In response to certain ISO standards being updated, Zeng Hsing subsidiaries are in the process of converting to the latest standards. The table below shows the progress of each subsidiary. In particular, Zeng Hsing Vietnam switched to the new ISO 50001 standard in 2019 and is expected to receive recertification from a third-party auditor by 2020. Additionally, ISO 45001 will be introduced to the Taiwan Headquarters and Zeng Hsing Vietnam in 2020, with certification audits expected to take place later that year.

Subsidiary	ISO system	Certificate validity
ZH Taiwan	ISO 9001 : 2015	2022.05.19
	ISO 14001 : 2015	2022.05.19
	OHSAS 18001 , TOSHMS	2021.3.11 (2020 migrate to ISO 45001)
ZH China	ISO 9001 : 2015	2021.02.10
	ISO 14001 : 2015	2021.03.22
ZH Vietnam	ISO 9001 : 2015	2020.10.02
	ISO 14001 : 2015	2021.06.29
	OHSAS 18001 : 2007	2021.06.29 (2020 migrate to ISO 45001)
	SA 8000 : 2014	2021.10.11
	ISO 50001 : 2011	2021/6/14
Shinco	ISO 9001 : 2015	2021.06.24
	IATF 16949 : 2016	2021.06.24

4.2 Marketing of Products and Services

Zeng Hsing follows international regulations (RoHS, CE, etc.) and seeks environmental certifications (GS, UL, etc.) to ensure that our products comply with various national safety standards. Because of the different regulations in countries where our customers are based, we work closely with our clients to manufacture products that meet their specific needs, and we disclose product and service information on the user manual, the packaging, and the product itself. We have a wide range of sewing products available for home use. From mechanical sewing machines to sergers, we have more than 100 varieties of machine in production, each of which is UL- or TUV-certified. We want our customers to be assured of the quality of our sewing machines, so we make sure that every aspect of our products is in compliance with national safety requirements. Furthermore, the R&D and Quality Assurance departments periodically organize workshops on product safety regulations and restricted substances to communicate the latest regulations to all employees and help them understand the importance of regulatory compliance.

* DMA –Marketing and Labeling

	Reporting requirements	Disclosure Requirements
103-1	An explanation why the topic material	Lack of control will lead to potential regulatory risks and damage to the Company's reputation.
	Boundary	The Zeng Hsing Group
	Specific limitation	This disclosure pertains to the entire Zeng Hsing Group.
103-2	Purpose of the management approach	To comply with national product safety regulations
103-3	Evaluation Mechanisms	Reports of regulatory violations are reviewed at the weekly executive meeting, where improvement plans are subsequently drafted.
	Performance	No violations of marketing regulations, product/service disclosures, or labeling were reported in 2019.



4.3 Customer Satisfaction

✱ Guidelines for Processing and Managing Customer Complaints

If our products fall short of expectations, or if our customers are dissatisfied with our services, they will inevitably feel disappointment at and have doubts about Zeng Hsing. To ensure that our customers are satisfied with our products and services, we formulated our *Guidelines for Processing and Managing Customer Complaints* in accordance with our *Quality Control Manual* to process customer complaints in an appropriate manner, preserve the Company's image, and build lasting loyalty. If a complaint is received, employees are instructed to put themselves in the customer's shoes and provide timely support to resolve any issues and keep the customer happy.

A long-lasting customer relationship must be built on trust, especially with regard to privacy protections and information security. Both as a matter of integrity and for practical purposes, we pay particular attention to safeguarding our customers' privacy and personal data. We require all personnel who come into regular contact with customer information to sign a non-disclosure agreement to prevent leaks of sensitive information or trade secrets. No personal information leaks or other privacy-related issues were reported in 2019.

✱ Customer Satisfaction and Customer Service Management Guidelines

Zeng Hsing has always put the customer first by listening to customers' actual needs in terms of product materials, exterior design, functionality, and other specifications. We want every aspect of our products to be up to customer standards. To further improve customer satisfaction, we formulated our *Customer Satisfaction Management Guidelines* and *Customer Service Management Guidelines*. The former requires that customer needs customer satisfaction surveys be conducted on a regular basis, while the latter ensures that our pre- and post-sales services (including product sample deliveries, usage status surveys, responses to customer complaints, and availability of repair parts) are in line with customer expectations.

In accordance with these guidelines, we began sending out an online satisfaction survey to customers who file complaints, to be delivered electronically after a case is closed. The survey was developed for customers who have placed an order within the previous year. It uses a five-point Likert scale (available score options: 2, 4, 6, 8, and 10; higher scores indicate greater satisfaction). The customer service department is responsible for analyzing the results from the previous quarter and producing a quarterly customer satisfaction report. If necessary, a meeting is convened by the R&D, manufacturing, and procurement departments, where long-term improvements are implemented to prevent similar problems from occurring in the future.

79 questionnaires were distributed in 2019 and 39 (49%) were recovered. The average customer satisfaction score for the year was 8.42, which was higher than our target (8 points). The quality assurance and customer service departments adjust the contents of the questionnaire each year based on the Company's current product

lineup; therefore, comparing results with previous years is not meaningful. In 2019, several questions pertaining to product design were revised. The relevant departments address the lower-scoring items by continuing to refine the way in which customer complaints are handled.

The quality assurance and customer service department sends out customer satisfaction surveys electronically to customers who have placed orders within the previous year and draws up improvement strategies to address aspects of our services that receive low customer satisfaction ratings, with the goal of building a loyal customer base. On average, the Company invests 60 hours in distributing, collecting, and analyzing satisfaction surveys every year. Three employees in the quality assurance and customer satisfaction department are in charge of data collection, and another employee is in charge of database construction and maintenance. Responses are analyzed to identify major complaint categories in order to provide customers with the timeliest solutions possible. To further improve the efficiency of our customer service, the Taiwan Headquarters will be launching a dedicated customer service platform in the near future to help us better understand customer needs and create value for both the Company and our clients.



4.4 Green Procurement

In response to increasingly fierce competition and restrictions in the European market, Zeng Hsing implements strict supply chain controls to ensure that every stage of the production process—from materials and parts procurement to manufacturing, and all the way to final assembly and delivery to the customer—is in compliance with international environmental protection regulations as well as our customers' green product review standards.

Based on regulations in jurisdictions where our products are sold, we formulated the **Restricted Substance Management Standard for Zeng Hsing and Its Suppliers** to restrict the use of hazardous substances in the manufacturing process and lessen our impact on the environment. The standard was formulated to meet not only local regulations but also customer needs. 【416-2】**We did not receive any reports of health and safety violations pertaining to our products in 2019.**



- The management of restricted substances is divided into two categories: testing reports and announcements are required.
- Increase the control of REACH prohibited substances.

2015



- The number of hazardous substances on the REACH SVHC list increased to 181

2017

- The number of hazardous substances on the REACH SVHC list increased to 201
- RoHS Annex III (exemption period for lead and cadmium) was amended.

2019

2016

- Four new phthalates were included in the RoHS
- The SCCP revised the maximum permissible levels of toxic substances
- The number of hazardous substances on the REACH SVHC list increased to 173

2018

- The number of hazardous substances on the REACH SVHC list increased to 197

✿ DMA – Customer Health and Safety

	Reporting requirements	Disclosure Requirements
103-1	An explanation why the topic material	Europe is a major market for Zeng Hsing. Therefore, whether the Company and its supply chain can adjust operations to meet European environmental regulations (including RoHS, REACH, and other green regulations promulgated by the EU Parliament and Council) directly influences its competitiveness in the EU market.
	Boundary	Group
	Specific limitation	This disclosure pertains to the entire Zeng Hsing Group.
103-2	Purpose of the management approach	Satisfying regulatory requirements in jurisdictions where our customers are located in order to achieve sustainable operations, increase product competitiveness, and create additional value.
	2020 Goals	Taiwan Headquarters: Launch of the Customer Health and Safety Project to lower the risk of electrocution
	Rescource	<p>Taiwan Headquarters:</p> <p>Since the adoption of our <i>Green Procurement Policy</i> in 2004, x-ray fluorescence (XRF) spectrometers have been installed at all Zeng Hsing subsidiaries to screen incoming materials. In 2014, we began introducing the Green Product Management (GPM) Portal to each of our subsidiaries, investing a total of NT\$ 11.3 million in software and hardware updates and a dedicated staff of 53 employees.</p> <p>2006: Adopted the <i>Green Procurement Manual</i>⁴ as the restricted substance management standard for our components suppliers.</p> <p>2014: Introduced the Green Product Management (GPM) Portal⁵ for reviewing product information provided by our upstream suppliers so that we can provide downstream customers with accurate information regarding our products' eco-friendliness.</p> <p>2019: Invested NT\$ 1.04 million in RoHS/Phthalate/SCCP/PAHs compliance tests for incoming components, whole-machine restricted substance tests, and GPM system maintenance.</p>
103-3	Evaluation Mechanisms	The Zeng Hsing Group performs regular PDCA reviews of the effectiveness of its restricted substance management procedures in accordance with ISO 9001.
	Performance	<p>Taiwan Headquarters:</p> <p>1. Quarterly components supplier audits: One violation found</p>

⁴ Green Procurement Manual: a collection of hazardous substances regulations compiled by Zeng Hsing as a reference for its suppliers.

⁵ Green Product Management Portal: a tool for searching and managing restricted substances, powered by a database of materials and components that comply with restricted substance regulations.

Reporting requirements	Disclosure Requirements
	<p>among 16 components reviewed (The supplier in question has resolved the issue.).</p> <p>2. Ensuring compliance with environmental regulations: Taiwan Headquarters' quality assurance department held an event at Zeng Hsing China's supplier meeting to promote green regulations and ensure that suppliers are in compliance.</p>

4.5 Supply Chain Management

The key to effective supply chain management lies in maintaining and ensuring the quality of components in the face of rising materials costs. All four Zeng Hsing plants have developed their own supplier management guidelines based on Zeng Hsing Group's *Quality Manual* and procurement policies for effective control over suppliers and the procurement process.

* Procurement and supplier management 【102-9, 204-1】

Zeng Hsing's group-wide procurement policy requires each subsidiary to formulate a set of procurement and supplier management guidelines based on local regulations and needs. The guidelines must include stipulations on the procurement processes for raw materials, hardware, components, equipment, and other supplies.

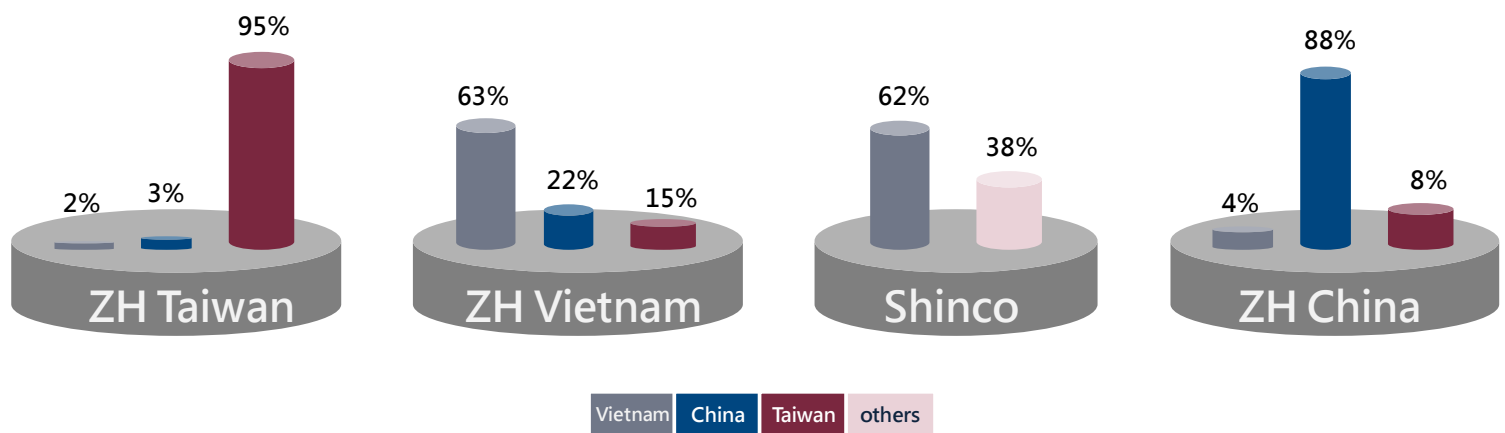
New supplier screenings: Before establishing a relationship with a new supplier, the procurement department of each subsidiary must perform a review based on the aforementioned guidelines to ensure the supplier's manufacturing, quality control, and production management capabilities are up to par.

Existing supplier review: Periodic audits are performed by subsidiaries to assess suppliers' product quality, timeliness of delivery, service attitude, and compliance with our environmental protection and human rights policies. Zeng Hsing Vietnam also conducts supplier social responsibility surveys on a regular basis to evaluate their suppliers' performance in safeguarding human rights, providing for employee welfare, and maintaining a safe work environment. We want to make sure that our suppliers are doing their part to fulfill their corporate social responsibility.

The Taiwan Headquarters' procurement department established a task force in 2019 to review the operational performance of 40 key suppliers in the areas of manufacturing, internal control, quality management, after-sales service, and environmental protection. These suppliers were classified into grades A, B, and C based on the results. 34 suppliers passed the review and the remaining 6 showed room for improvement, particularly in manufacturing capabilities and internal control procedures. Headquarters will provide training for these 6 suppliers to help ensure that they reach compliance with restricted substance regulations.

Supplier Type/Grade	A	B	C	Total
Packaging	-	1	1	2
Printing	-	1	-	1
Stamping presses	1	5	3	9
Powders	2	-	1	3
Bearings	1	2	1	4
Plastics	4	-	-	4
Electrics	7	4	-	11
Cast iron	1	-	-	1
Die casting	1	4	-	5
Total	17	17	6	40
Grade A/B suppliers are qualified suppliers while grade C suppliers require further training and improvement.				

As of 2019, Zeng Hsing has 374 materials suppliers and is currently working with 5 waste disposal service providers. In addition to product/service quality, timeliness of delivery, and their ability to continue to serve our needs, we consider the stability of the local economy when we choose which providers to work with. Therefore, more than 60% of the procurement budget of each subsidiary was spent locally in 2019. The Taiwan Headquarters led with 95% locally sourced procurement, followed by Zeng Hsing China's 88%, Zeng Hsing Vietnam's 63%, and Shinco Technologies' 62%.



Proportion of supplier transaction value to local procurement

Supplier Profile

Item	Materials Suppliers	Waste Disposal Providers
Number	374	5
Transaction volume (%)	99.95%	0.05%
Potential environmental risks	Risk of emissions over legal limits	Risk of violating environmental protection regulations
Potential labor welfare risks	Risk of forced labor	Risk of forced labor
Potential human rights risks	Risk of incomplete (or lack of) human rights complaint procedures	Risk of incomplete (or lack of) human rights complaint procedures
Potential societal risks	Risk of excessive noise impacting the community	Risk of bad odors impacting the community

Note: The above indicated waste disposal providers process the general waste produced by the Zeng Hsing Group

On-site supplier CSR audits

In addition to seeking high quality supplies at a competitive price, Zeng Hsing is fully aware of the importance of suppliers' sustainability. Therefore, we require all suppliers to comply with local laws and provide materials that meet international standards so as to minimize pollution and impacts on the environment. Furthermore, suppliers are required to follow local human rights and occupational safety and health regulations. It is important that our suppliers' employees enjoy a quality work environment, that no discrimination takes place in the workplace, and that their freedom of association is respected.

To gain a deeper understanding of our suppliers' CSR efforts, the Taiwan Headquarters' procurement department and the CSRO picked 6 key suppliers for in-depth interviews in 2019. After two days and six interviews, all six suppliers were given a passing score (≥ 60). However, two suppliers were assigned a lower grade (grade C) for the following reasons: (2019 was the first year that these interviews were piloted. Suppliers with a higher risk of regulatory violations will be placed on a watch list. Zeng Hsing will formally establish a system in the next 3–5 years that requires suppliers that fail the interview to make timely improvements.)

1. Supplier B: Though the supplier has never faced regulatory fines related to environmental protection, its manufacturing process involves electroplating, which is high in pollutants. We have recommended that the supplier introduce a comprehensive pollution management system (such as ISO 14001: Environmental Management System) to effectively manage harmful chemicals, pollution prevention measures, and hazardous waste disposal.
2. Supplier C: The supplier is in the powder metallurgy business, which is designated as an industry with high potential for air pollution by the

competent authority. Due to their unfamiliarity with environmental protection regulations, the supplier was fined by the EPA for not installing industrial exhaust filtration facilities. Although the supplier has introduced an exhaust system at its current plant and is planning to do the same for a new plant, we still believe that they must be proactive in staying updated about the latest environmental protection regulations. We recommended that they introduce the ISO 14001 standard to ensure regulatory compliance.



On-site Audit Results

Construct/Supplier	A	B	C	D	E	F
Environment (EN)	20	20	12	16	20	20
Labor (LA)	24	20	20	20	24	24
Human rights (HR)	16	12	12	12	12	16
Social (SO)	8	8	8	8	8	8
Product (PR)	8	8	8	8	8	8
Total	76	68	60	64	72	76
Grade	B	C	C	B	B	B
1. Percentile score: ≥ 81 : excellent (A); 60–80: passed (B); < 60 : failed (C)						
2. Suppliers with a higher risk of regulatory violations will be assigned a grade that is one grade lower.						

✳ DMA – Procurement Practices, Supplier CSR Assessment

Reporting requirements		Disclosure Requirements
103-1	An explanation why the topic material	Through close cooperation with local suppliers, Zeng Hsing has been able to reduce its carbon footprint by decreasing the amount of transportation needed while still bringing prosperity to the local economy.
	Boundary	Group
	Specific limitation	This disclosure pertains to the entire Zeng Hsing Group.
103-2	Purpose of the management approach	To comply with local regulations and spur the local economy
	2020 Goals	1. Training auditors for on-site supplier CSR audits 2. Establishing a supplier ESG ratings system
103-3	Evaluation Mechanisms	Reports of supplier violations are reviewed at the weekly executive meeting and improvement plans are subsequently drafted.
	Performance	1. 87 supplier CSR questionnaires recovered 2. 16 on-site provider CSR audits 3. More than 60% of materials procured locally across four Zeng Hsing plants.

5 Inclusive Workplace

5.1 Global workforce structure as of 2019 【102-8】

As of 2019, the Zeng Hsing Group has 2,785 employees, 37% of whom are male and 63% female. 71% of all employees are based in Vietnam, making that country our largest manufacturing base. Zeng Hsing is in the manufacturing industry, and employees are mainly responsible for product manufacturing and assembly. Therefore, young factory workers under 30 years of age account for 50% of our workforce.

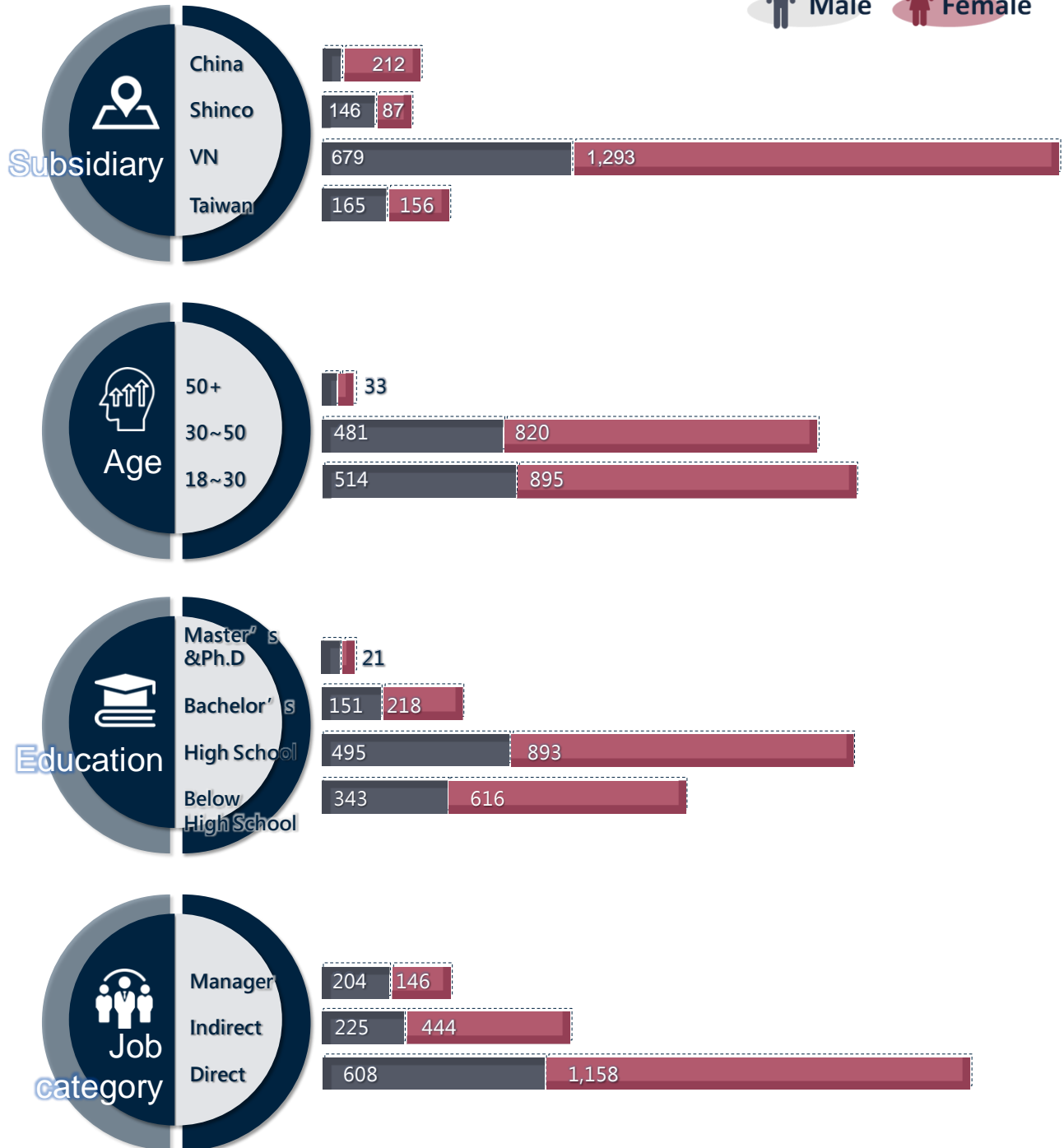
As of the end of 2019, with the single exception of six local employees with fixed-term contracts hired by our foreign subsidiaries, all employees are permanent, full-time workers. Within 2019, the highest concurrent number of employees was 2,919, and the lowest was 2,637.

Categories	Groups	Male		Female		Total	
		Number	Group %	Number	Group %	Number	Group %
Subsidiary	ZH Taiwan	165	51%	156	49%	321	12%
	ZH Vitenam	679	34%	1,293	66%	1,972	71%
	Shinco	146	63%	87	37%	233	8%
	ZH China	47	18%	212	82%	259	9%
	total	1,037	37%	1,748	63%	2,785	100%
Age	18~29	514	36%	895	64%	1,409	50%
	30~50	481	37%	820	64%	1,301	47%
	51+	42	56%	33	44%	75	3%
	total	1,037	37%	1,748	63%	2,785	100%
Education	Below High School	343	36%	616	66%	959	35%
	High School	495	36%	893	64%	1,388	50%
	Bachelor's	151	41%	218	59%	369	13%
	Master's & Ph.D	48	70%	21	30%	69	2%
	Total	1,037	37%	1,748	63%	2,785	100%
Job Category	Direct	608	34%	1,158	66%	1,766	64%
	Indirect	225	34%	444	66%	669	24%
	Manager	204	58%	146	42%	347	12%
	Total	1,037	37%	1,748	63%	2,785	100%

Notes:

1. The Taiwan Headquarters hired 24 fixed-term contract employees in 2019, and our foreign subsidiary plants hired six.
2. "Management" refers to division heads and above.
3. Data were extracted from the Company's online Human Resource Management (HRM) system. All figures are actual numbers, not estimates.

Global workforce structure as of 2019



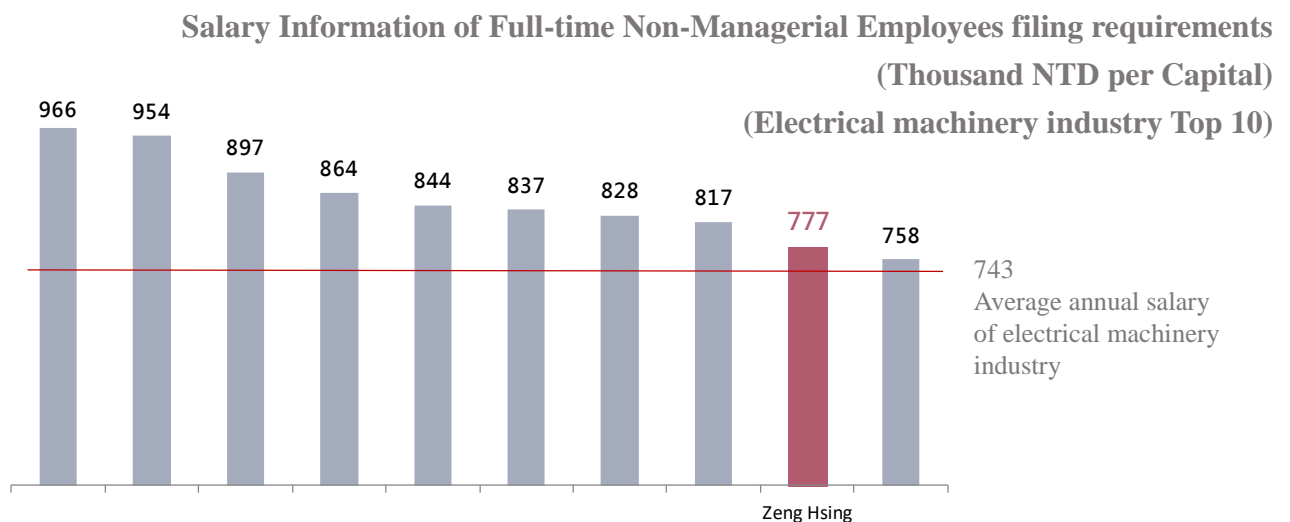
✳ Recruitment

Every subsidiary of **the Zeng Hsing Group** has a set of hiring guidelines in place to ensure that recruitment protocols are followed. At the end of each year, each department are required to formulate a staffing and hiring plan for the following year in accordance with current operational needs. These plans serve as the basis for budgetary decisions. Once the plans are drafted, the HR Department begins the recruitment and selection process **in accordance with local regulations. The process must be conducted in a fair, just, and transparent manner without discrimination of any kind, whether based on applicants' ethnicity, gender, cultural background, religion, or age.** The HR Department is in charge of new employee onboarding and orientation, which includes an introduction to the company, its rules and regulations, employee welfare policies, occupational safety and health, employee responsibility, and workplace human rights. Supervisors are required to conduct a performance review of new hires to determine whether they are suitable for their positions by the end of their trial period.

✳ Talent retention

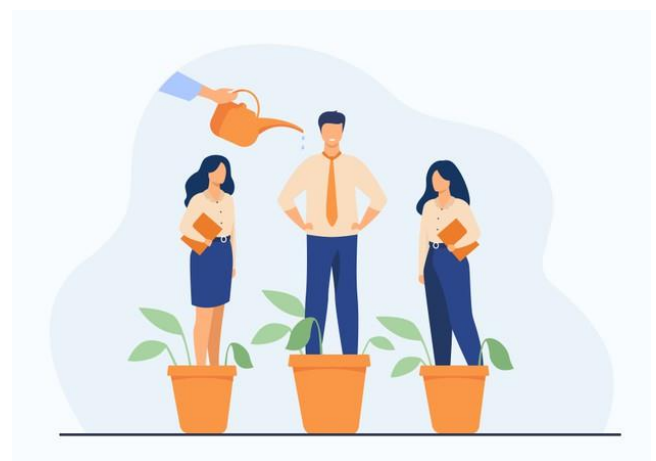
Recruiting new blood brings vitality to a company, yet retaining outstanding employees is equally important. In order to retain competitive talent, Zeng Hsing is committed to fostering a friendly work environment, promoting a good work-life balance, and offering opportunities for career advancement and continuous learning.

Reviews and audits carried out by external accountants show that the average annual salary of full-time non-management employees at the Taiwan Headquarters was NT\$ 777,000 in 2018 pursuant to the Salary Information of Full-time Non-Managerial Employees filing requirements set forth by the Taiwan Stock Exchange Corporation (TWSE), putting us in the top 10 highest paying companies in the same industry and well above our competitors, according to TWSE data.



✳ Employee Attrition Management Guidelines

To regulate matters related to resignations, extended unpaid leaves, layoffs, and retirements, **the Zeng Hsing Group** and its subsidiaries formulated the **Employee Attrition Management Guidelines** in accordance with internal control policies and local labor laws. The guidelines deal with resignation procedures, notice periods, job handovers, non-disclosure agreements, HR follow-up processes, attrition analyses, etc. The purpose of the guidelines is to prevent disputes and ensure a smooth attrition process.



5.2 Employee Benefits and Rights

✳ Employee benefits package 【401-2】

The Zeng Hsing Group's employee benefits plans are determined through discussion and negotiation between HR/management, the labor union, and the employee welfare committee in accordance with local regulations. Each subsidiary may have different benefits options, but the fundamental provisions, including work regulations, work hours, breaks and holidays, the pension system, occupational safety and health, labor/health insurance, and training requirements, are all processed in accordance with the law.

Furthermore, each location may include additional benefits based on employees' needs. These may include domestic or international travel reimbursements, Family Day events, holiday bonuses, emergency relief funds, and subsidies for employee clubs and competitions.

In 2019, Zeng Hsing Headquarters established an employee stock ownership trust (ESOT), which is to be funded by the Company through monthly appropriations and managed under long-term investment plans. The trust can ensure employees' financial security after retiring from the Company so that they can focus their attention on their jobs without worrying about the future.

✳ Parental leave without pay 【401-3】

Subsidiaries in China and Vietnam are required to process maternity leave in accordance with local regulations. Employees at the Taiwan Headquarters may apply for parental (childcare) leave in addition to maternity leave: In 2019, all employees applying for unpaid parental leave were female, 80% of whom returned to work at the completion of the leave period. See the following table for details.

Employees on Unpaid Parental Leave	Male	Female	total
A. Employees applied for parental leave	0	8	8
B. Employees expected to return to work after parental leave in 2019	0	5	5
C. Employees expected to return to work in 2019 after parental leave and returned as scheduled or in advance	0	4	4
D. Actual number of employees returned to work in 2018	0	1	1
E. Employees actually returned to work in 2017 and still in service in 2018	0	1	1
Return rate(C/B)	-	80%	80%
Retention rate(E/D)	-	100%	100%

* Between 2014 and 2019, 47 employees applied for maternity leave, and 40 applied for paternity leave.

✳ DMA - Employment

Reporting requirements		Disclosure Requirements
103-1	An explanation why the topic material	Employees are the key to sustainability in a company's operations. Zeng Hsing is committed to maintaining a friendly work environment to attract and retain outstanding talent, foster loyalty to the organization, and create a wholesome corporate image.
	Boundary	ZH Group
	Specific limitation	This topic mainly reveals related information of ZH Group
103-2	Purpose of the management approach	The company offers above average compensation, a clear career advancement path, and a generous benefits package to retain and cultivate potential talent within the company while attracting prospective employees to the Zeng Hsing family.
	2020 Goals	ZH Taiwan : Enhance employee benefits
103-3	Evaluation Mechanisms	ZH Group Employee benefits –HR/management, the labor union, and the employee welfare committee of each subsidiary convene periodically to review employee benefits to ensure that employees receive the best care possible. An annual CSRO meeting is convened to track the progress and status of CSR objectives.
	Performance	ZH Group 1. Employee benefits – No complaints related to employee benefits were received. 2. Human rights – The Zeng Hsing Human Rights Commitment Statement was announced.

A Comprehensive Employee Benefits Package

● Bonuses

1. Employee bonus
2. Annual bonus
3. Holiday bonus
4. Birthday bonus

● Insurance

1. Labor insurance
2. National health insurance (NHI)
3. Group accident insurance
4. Safety insurance for employees stationed abroad

● Leisure & Recreation

1. Subsidies and travel passes for domestic/international travel
2. Employee clubs
3. Family Day

● Others

1. Meal allowances
2. Parking space
3. Discounts at partner stores
4. Wedding/funeral gifts
5. Employee education grants
6. Healthcare center/laboratoriums
7. Employee health examinations
8. Employee stock ownership trust

Holidays/leaves

9. Annual paid leave
10. Maternity/paternity leave
11. Family leave
12. Parental leave
13. Menstrual leave

● Training & career development

1. Orientation and new hire training
2. Annual training plans
3. Planned job rotation at foreign subsidiaries
4. Industry-academia collaboration projects



✳ Minimum notice period regarding operational changes 【402-1】

A stable workforce with strong organizational loyalty is a crucial factor in sustainable operations. Therefore, we make it a point to give employees early notice when job rotations are planned and to provide clear career advancement paths for key personnel. In order to increase organizational loyalty and work efficiency, HR and other relevant departments are required to plan ahead for any personnel changes and notify the affected employees within a reasonable notice period. Each subsidiary may set different notice periods, which can be as short as 10 days or as long as 45 depending on employee seniority and local labor laws. Both the employer and employees shall abide by the notice period rule. Zeng Hsing Corporation received no employee complaints in this regard in 2019. The collective agreements for our Vietnamese and mainland Chinese subsidiaries also include similar stipulations.

✳ DMA – labor management relations

	Reporting requirements	Disclosure Requirements
103-1	An explanation why the topic material	Employees are the core of the company's pursuit of sustainable development. In order to attract outstanding talents to stay and gather employee recognition and centripetal force, we are committed to establishing a friendly workplace environment and creating a happy corporate image.
	Boundary	ZH Group
	Specific limitation	This topic mainly reveals related information of ZH Group
103-2	Purpose of the management approach	A harmonious employer-employee relationship: In order to minimize anxiety due to job rotation, the Company notifies employees ahead of the notice period stipulated by local regulations so that the process can go as smoothly as possible and the risk of interrupted operations can be mitigated.
	2020 Goals	ZH Group : Legal compliance
103-3	Evaluation Mechanisms	<p>Taiwan & Shinco</p> <p>As part of our CSRO review, we conduct an annual selective review of resignation/job rotation cases to verify that they have been processed in accordance with the law.</p> <p>ZH Vietnam & ZH China</p> <p>Furthermore, we follow SA 8000 standards in carrying out the PDCA four-step management cycle.</p>
	Performance	ZH Group : In 2019, none of our subsidiaries received complaints related to personnel changes.

✳ Pension system

The Zeng Hsing Group and each of its subsidiaries have established a pension system in accordance with local regulations to ensure that employees can enjoy a financially secure post-retirement life. **For Zeng Hsing Industrial China, employees are entitled to social insurance and employer pension contributions pursuant to local regulations. For Zeng Hsing Industrial Vietnam and Shinco Technologies, employees are entitled to social, medical, and unemployment insurance pursuant**

to local regulations. For the Taiwan Headquarters, the Company contributes the appropriate amount to employees' pension funds pursuant to the Labor Standards Act (the old system) or the Labor Pension Act (the new system), whichever may apply.

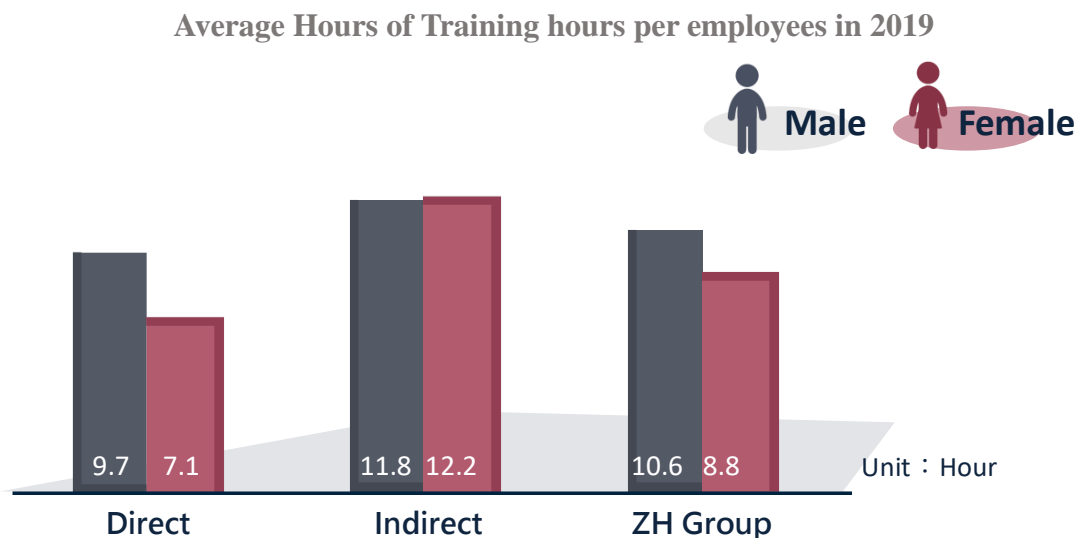
✳ Labor agreements 【102-41】

In accordance with local regulations, **employees of the Zeng Hsing Group have the freedom to form or join labor unions** as a means of safeguarding their rights and fostering the employer-employee relationship. Within the company, labor unions are responsible for representing employees in labor disputes and promoting occupational safety and health, work environment improvements, and employee welfare, as well as organizing recreational activities for union members. A general assembly is convened once a year, and a union council meeting is convened four times a year (once every quarter). Union participation rates stand at 100% for all of our foreign subsidiaries and at 99% at the Taiwan Headquarters (not including management representatives). Collective agreements are in place to protect all employees at Zeng Hsing Industrial Vietnam and Zeng Hsing Industrial China. The labor unions at the Taiwan Headquarters and Shinco Technologies have not signed collective agreements, but regular union-employer negotiations take place to ensure that employee welfare is properly supported.

5.3 Employee Training and Development

【404-1】 The Zeng Hsing Group and its subsidiaries provide a wide range of learning opportunities to help employees cultivate the professional knowledge and skills necessary for furthering their careers. As shown in the figure below, no significant differences exist between the average training hours received by our male and female employees, which were 10.6 and 8.8 hours respectively. This is evidence that Zeng Hsing cares about all of its employees regardless of gender. The significant increase in average direct training hours versus last year can be attributed to the inclusion of new hire training at our Vietnamese plants in the calculation of overall training hours.

With a view to enhancing the comprehensiveness of training and career development opportunities to help employees achieve professional growth, our CSR Committee has required all subsidiaries to set training goals for 2020 and beyond in terms of training hours, and reviewing them on a semiannual basis. Please refer to the management policy for details.



✱ DMA – Training and Education

	Reporting requirements	Disclosure Requirements
103-1	An explanation why the topic material	<p>Training: To familiarize employees with necessary knowledge and skills so that product and service quality will meet clients' standards.</p> <p>Development: To provide a clear career advancement path for talented employees who can help the Company grow.</p>
	Boundary	ZH Group
	Specific limitation	This topic mainly reveals related information of ZH Group
103-2	Purpose of the management approach	Effective management of training and development: To prioritize training that is specific to employees' professional needs and that corresponds with the Company's business operations while encouraging employees to realize their full potential and helping the Company reach new heights.
	2020 Goals	ZH Group: Average training hours, training satisfaction surveys, human rights workshops
103-3	Evaluation Mechanisms	ZH Group: Each subsidiary may adopt one or more methods to evaluate training effectiveness, including post-training online assessments, written tests, oral exams, etc. Employees' training outcomes are recoded either digitally or on paper.
	Performance	<p>ZH Taiwan: Average training hours did not meet the target.</p> <p>ZH Vietnam & ZH China: Average training hours met the target.</p> <p>Shinco: Education and training coverage rate met the target.</p>



* Zeng Hsing Multilingual Program

To help our Vietnamese employees learn Mandarin Chinese, Zeng Hsing Industrial Vietnam has launched a Chinese language training and certification program. Employees who receive the certification are entitled to a bonus. To keep employees motivated to learn, this policy was continued in 2019, and two certification exams were held in the first and second halves of 2019. In total, 36 employees took the exams, 23 of whom passed and received the bonus.

Vietnam is an important manufacturing base for the Company, and the management team appointed there must have language proficiency. Therefore, the Taiwan Headquarters purchased an online Vietnamese learning course, which was made available to all employees in Taiwan. In addition, we hire professional teachers to give Vietnamese lessons in person. Through this combination of online and in-person learning, our management associates can develop the necessary Vietnamese skills before starting their duties in Vietnam.



Taiwan Headquarters: eHRD Learning Platform

In 2015, the Taiwan Headquarters invested NT\$ 10 million in an e-Human Resource Development (eHRD) system (including system installation and consulting). We began utilizing the training module, skills development module, professional competency module, and operational performance module in 2016. We also introduced standardized job specifications and an internal lecturer cultivation program to increase the effectiveness and efficiency of human resource development. Later that year, we named the eHDR Learning Platform the “Hsing School.” Employees may enroll in any of the online or physical classes on the platform depending on their personal learning needs. Beginning in 2017, departments within the Company can integrate their internal training courses, professional competency evaluations, and performance reviews into the Hsing School to help employees quickly identify areas in which their skills could use improvement and take the appropriate courses to address their needs, thus creating a streamlined learning experience.

* Zeng Hsing Management Associate Training Program

At Zeng Hsing, we put equal emphasis on training local and foreign talent. As such, we organized the Zeng Hsing Foreign Management Associate Training Program

in 2019. So far, two Vietnamese management associates have visited the Taiwan Headquarters for two months of training. The program not only provides a rare opportunity for foreign associates to improve their professional knowledge and Chinese skills but also allows their colleagues at Headquarters to better understand working conditions in foreign subsidiaries. Furthermore, it bolsters interaction and exchanges between employees at Headquarters and their colleagues overseas.



* Language Learning and Teaching Materials development plan

Our efforts to boost employees' English ability continued in 2018. The HR Department has announced English proficiency requirements for every division at the Taiwan Headquarters. Employees who do not meet the requirements for their division must enroll in the corresponding online English course offered through the Hsing School. Thanks to the advancement of technology, enrolled employees can take lessons and exams over the Internet anytime, anywhere. As a follow-up to our 2017 plan to develop our own internal teaching materials, we continued to promote language learning in 2019. Employees at the Taiwan Headquarters are taking the initiative in turning implicit knowledge into online teaching materials, which have become an invaluable asset of the Zeng Hsing Group. As of the end of 2019, these online teaching materials have been downloaded around 2,500 times. Furthermore, to keep teaching materials current, curriculum adjustments based on the training needs of each department were implemented in the second half of 2019, ensuring that these courses are relevant not only to departmental requirements but to the industry and the economy as a whole.

* Taiwan Headquarters: Book Club & Team Building Activities

To strengthen the unity and cohesion of our mid- to high-level management team, the HR Department at the Taiwan Headquarters established the quarterly Executive Book Club. Divisional and departmental managers are invited to participate, and a college professor provides reading guidance. After selecting a topic for the quarter, HR divides managers into small groups to facilitate discussion. Each group selects a leader who will be responsible for sharing the group's discussion results with other groups on the day of the event. Through book discussions, managers from different

departments are able to interact with each other, get inspired, and conceive new ideas.

In addition to the book club, HR also holds a series of team building activities to strengthen the bond between managers. For example, managers can learn to create handmade needlework with a sewing machine under the guidance of an employee. This activity gives managers across departments a rare opportunity to mingle with each other. Managers also periodically visit a nearby long-term care service center to hold handicraft workshops and spiritual exploration activities. Through social work, managers can contribute to local charities while learning to cooperate with one another in an external venue.



* Taiwan Headquarters: Leadership Training

To strengthen managers' leadership skills, newly-appointed managers at the Taiwan Headquarters were required to participate in Practical Leadership Skills for Managers Program, an external leadership training program provided by the China Productivity Center, in 2019. The 18-hour training program is designed to help employees who are transitioning from a professional position to a managerial one. In total, 16 new managers at the Taiwan Headquarters underwent the training in four groups. Through the program, they were able to gain a deeper understanding of the role and responsibilities of a manager, learn to think logically and systematically, develop managerial effectiveness and efficiency, and quickly adjust to their new positions.

* Human Rights Training [412-2]

Taiwan Headquarters: According to the internal Employment Training Management Guidelines, all new employees must undergo orientation within one

month of reporting for duty. Orientation includes an introduction to the Company, an overview of its operations and regulations, and a friendly workplace workshop (including anti-discrimination). Headquarters hired 37 new employees in 2019, **41% of whom received training on human rights policies and procedures, amounting to 22.5 hours of human rights training in total.** In recent years, the increasing volume of seasonal orders has resulted in the hiring of a greater number of temporary workers. Due to location and time constraints, not all of them are able to undergo formal human rights training. Therefore, the Company provides certain temporary workers with the New Employee Handbook to help them learn more about the Company's history, organization, regulations, and manufacturing processes, as well as their rights and responsibilities, on their own.

Zeng Hsing Industrial Vietnam: The HR Department organizes 4-hour long SA8000 training on an annual basis for employees hired that year to ensure compliance with standards. **100% of new employees have received human rights training, for a total of 6,292 hours (est.) of training.**

There is currently no human rights training offered at Shinco Technologies and Zeng Hsing Industrial China.



✿ Performance Management

To help management keep track of employee performance and to ensure that their hard work and dedication does not go unrecognized and unrewarded, each of Zeng Hsing's subsidiaries has formulated its own performance evaluation procedures based on local needs. Criteria may include attendance, core competencies, professional competencies, work ethics, personal goals, etc. With the exception of new hires in their trial period, all employees must undergo performance appraisals on a regular basis. Those who fail an appraisal are required to take make-up training courses to address their deficiencies.

Internal regulations at the Taiwan Headquarters further stipulate that managers above the section level must meet with individual employees in person prior to every performance appraisal. This serves an effective communication channel to help each employee understand their manager's expectations and accept feedback or guidance to help them perform better.

5.4 Occupational Health and Safety Management

At Zeng Hsing, we strive to provide a safe and secure work environment to reduce the risk of safety and health hazards, foster a culture of safety, and create a positive workplace so that employees can do their best without worries.

✳ DMA – Occupational Health and Safety

	Reporting requirements	Disclosure Requirements
103-1	An explanation why the topic material	Provide employees with a safe environment in which workplace incidents such as occupational injuries or fatalities, damage to manufacturing equipment, or financial losses for the Company do not occur.
	Boundary	ZH Group
	Specific limitation	This topic mainly reveals related information of ZH Group
103-2	Purpose of the management approach	Minimize the risk of occupational injuries or deaths and equipment damage; comply with local governments' occupational health and safety codes as well as internal health regulations.
	2020 Goals	ZH Taiwan & ZH Vietnam : Migrating form OHSAS 18001 to Occupational Health and Safety Management Systems ISO45001
103-3	Evaluation Mechanisms	ZH Taiwan & ZH Vietnam : Conduct a yearly PDCA review of occupational safety and health management effectiveness in accordance with internal OHSAS compliance policies. ZH China & Shinco : In the event of an occupational safety and health incident, safety personnel and the responsible departments shall review the incident and draw up an improvement plan.
	Performance	ZH Group : Absence rate 0.99% Injury rate 1.37 Lost day rate 85.2

Safety and health policy



✳ Occupational Safety and Health Management System 【403-1、403-2、403-8】

In order to ensure employee safety, Both the **Taiwan Headquarters and Zeng Hsing Industrial Vietnam** have introduced OHSAS 18001 & TOSHMS standards in their plants. Their respective occupational safety and health committees are in charge of reviewing each department's safety management performance through OHSAS review meetings. In addition to ensuring regulatory compliance, the standards enhance employee and workplace safety, particularly during equipment operation, and help the Company maintain a work environment optimized for occupational safety and health.

We have consolidated our occupational safety and health management systems so that they are in accord with OHSAS 18001 standards, and we endeavor to identify and address potential safety risks and occupational hazards for employees across all departments in our plants in keeping with the hazard identification and annual risk assessment methods suggested therein. To achieve this, we quantified the likelihood and severity of potential workplace hazards and used the resulting data to develop a risk matrix and formulate a risk assessment and management framework. The ultimate goal is to ensure that employees at all levels are aware of various safety concerns and their potential impact on company operations.

Each department within the plants is responsible for managing the risks associated with its operations. In particular, the manufacturing, shipping, and administrative departments have all formulated their own standard operating procedures pursuant to occupational safety and health regulations. Our compliance efforts are validated by an external auditor and the competent authority on an annual basis. At the same time, our auditing office regularly carries out risk evaluations in accordance with internal control policies to identify potential hazards, and an annual risk-based auditing plan is drafted based on their findings.

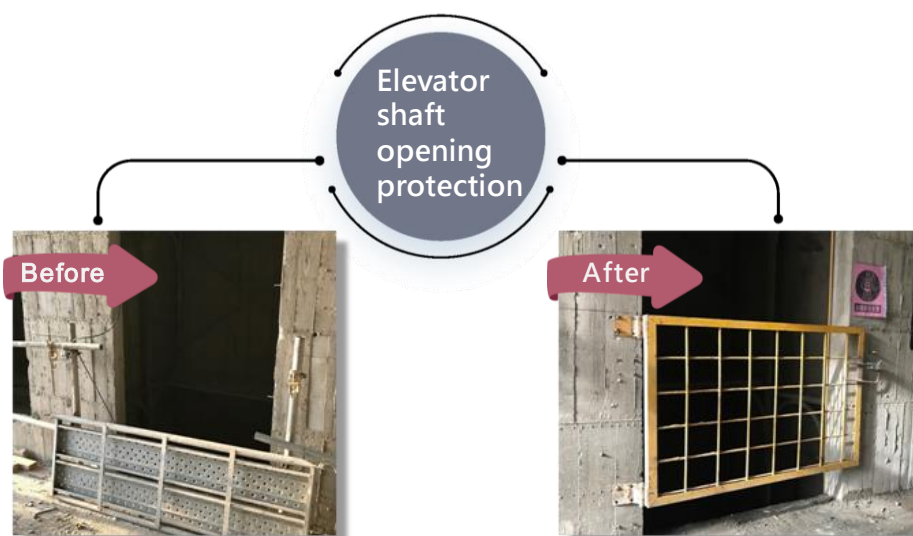
The occupational safety and health management system applies to all employees at the Taiwan plant as well as plants operated by Zeng Hsing Industrial Vietnam. It

also applies to employees hired by partner companies through additional terms and conditions of or appendices to the partnership contract. The system operates as follows: Each department conducts a risk assessment of workplace hazards and prioritizes them for improvements based on their perceived risk level, after which the effectiveness of the improvements is measured against the occupational safety and health performance indices.

Although **Zeng Hsing Industrial China and Shinco Technologies Vietnam** are not bound by the management system, they have put their own **internal workplace safety procedures** in place, including periodic workplace safety and environmental hazard inspections (e.g., for CO₂ and dust concentrations), to ensure a safe working environment. Employees may raise safety concerns with the head of workplace safety, who will report such issues to Headquarters.

2019 OHSAS Improvement Goals and Implementation at the Taiwan Headquarters and Zeng Hsing Industrial Vietnam

	2019 Target	2019 Achievements	Description
ZH Taiwan	3	3	Goals included installing non-slip mats, fireproofing new factory buildings, and preventing elevator fall accidents during construction.
ZH Vietnam	26	24	Goals included installing protective railings to prevent falls, improving warning signs, and formulating standard operating procedures for forklift usage, among others. The target achievement rate was 92%. Two unachieved goals are expected to be completed in 2020.



✿ A Dedicated Occupational Safety and Health Team 【403-4、7】

Both the **Taiwan Headquarters and Zeng Hsing Industrial Vietnam** have a workplace safety office and a team dedicated to the planning and tracking of matters related to occupational safety. A safety and health committee has been established to facilitate internal communications, with department heads serving as **ex officio** members. At the quarterly meeting of the safety and health committee, the workplace safety office shares examples of important safety inspection criteria, including personal safety awareness, equipment safety reports, and employee training and education. Other measures we take to increase employee awareness include workplace health management campaigns, workplace accident prevention drills required by the government, new employee orientation, regular workplace safety inspections, and occupational health promotion activities.

Pursuant to the **Occupational Safety and Health Act**, at least one third of the labor representatives at the Taiwan Headquarters are union members. Labor representatives are responsible for communicating and coordinating safety matters to ensure the safety and health of the staff, increase their awareness of occupational safety and health, and contribute to the establishment of a culture of safety. All procurement cases (including tangible items such as machinery/equipment and intangible services such as construction work) must be reviewed by the workplace safety office and, if necessary, inspected upon delivery to ascertain whether the products or services delivered meet safety regulations. Our goal is to keep employees in an absolutely safe state when using these products or services so that no occupational incidents occur. Finally, the workplace safety office is also responsible for reviewing purchases of personal protective gear to ensure that it is made with certified materials and that it provides sufficient protection. Employees may rest assured that the protective gear they are wearing will minimize the chance of workplace injuries.



✳ Statistics on Workplace Injuries 【403-9】

The **Zeng Hsing Group** recorded 18 workplace incidents in 2019, which marks an increase over the previous year. The majority of work-related incidents involved pinch-point injuries and traffic accidents. A small number of cases required the employees in question to take injury leave. Cases requiring leave of more than one day were included in the calculation of work injury rates and days lost to work injuries, which totaled 516 days in 2019. The average work injury rate for male employees was higher than that of their female counterparts. As mentioned above, most cases were related to traffic accidents or pinch-point injuries caused by manufacturing equipment. No deaths were recorded. Several employees who were victims of more severe traffic accidents required a longer recovery time, which led to a significant increase in work-related days lost. In response to the higher number of traffic accidents near the Taiwan Headquarters, the Company held multiple road safety workshops in 2018. However, the number of traffic accidents still increased in 2019 due to the main office being relocated to a busy city center while the original plant was being remodeled. Pinch-point injuries were the most common type of workplace incidents at other plants, and were usually caused by unsafe employee behaviors. Therefore, we will continue to promote safety awareness at weekly assemblies, and cases will continue to be reviewed at regular occupational safety and health committee meetings to keep track of the progress of improvements.



Statistics on Group-wide Occupational Incidents and Employee Attendance 【403-9】

	Gender	ZH Taiwan	ZH Vietnam	Shinco	ZH China	ZH Group
Absence rate	Male	0.46%	1.12%	0.09%	3.11%	1.20%
	Female	0.89%	1.43%	0.07%	0.76%	0.79%
	Average	0.67%	1.28%	0.08%	1.94%	0.99%
Injury rate	Male	2.43	0.49	0.00	5.56	2.12
	Female	1.93	0.19	0.00	0.39	0.63
	Average	2.18	0.34	0.00	2.97	1.37
Lost day rate	Male	15.36	4.67	0.00	588.89	152.23
	Female	55.35	0.39	0.00	16.9	18.16
	Average	35.36	2.53	0.00	302.9	85.2

Notes:

1、Methodology

1. Absence Rate :

Male Absence Rate = Male (No. of lost days + sick leave days) / (total workdays*no. of employees)

Female Absence Rate = female (No. of lost days + sick leave days) / (total workdays*no. of employees)

Average Absence Rate = (Male Absence Rate + Female Absence Rate)/2

2. Injury Rate :

Male Injury Rate = male injury cases /male total workdays*8*200,000

Female Injury Rate = female injury cases /female total workdays*8*200,000

Average Injury Rate = (Male Injury Rate + Injury Absence Rate)/2

3. Lost Day Rate :

Male Lost Day Rate: male No. of lost days/ male total workdays*8*200,000

Female Lost Day Rate: Female No. of lost days/Female total workdays*8*200,000

Average Lost Day Rate: (Male Lost Day Rate+ Female Lost Day Rate)/2

4. ZH Group Absence Rate, Injury Rate and Lost Day Rate are the average of four subsidiaries

2、Data sources

1. Days of sick leave and injury-related leave are actual numbers extracted from the HRM leave management system.
2. Workdays and hours are estimates based on data reported by the workplace safety office to the Taiwan Headquarters. The standard number of workdays at Zen Hsing Industrial China, Zen Hsing Industrial Vietnam, and Shinco Technologies is 300 days per year.
3. Cases of work-related injuries are actual numbers extracted from the HRM system.

3、Miscellaneous

1. Coefficient 200,000 = 100 employees × 50 work weeks × 40 work hours per week
2. The number of work-related injuries is higher as it includes deaths and injuries at the worksite or during commutes.
3. The rates of work-related injuries and delays are both zero as no work-related deaths or disabilities occurred at Shinco Technologies in 2019.
4. All workplace incidents were injuries; no deaths were recorded in 2019.

4、Workers and contractors not directly employed by the Company

- A. No work-related deaths were recorded in the Zeng Hsing Group in 2019.
- B. A fall incident occurred at the Taiwan Headquarters in 2019, causing the annual incident rate (IR) to rise to 1.79. The workplace safety office has held a remedial safety training session in response to the incident. (Estimated work hours = average no. of daily contractors × 8 hours × 250 workdays.)
- C. No work-related injuries involving contract workers were recorded at Zeng Hsing Industrial China, Zeng Hsing Industrial Vietnam, or Shinco Technologies.

- 5、In the event of an incident, department heads notify the workplace safety team for immediate response as well as after-the-fact investigation, reporting, and safety improvements. Subsidiaries are also required to report such incidents to the Taiwan Headquarters, which then works in tandem with them to draw up improvement plans and prevent similar incidents from occurring.

5.5 Employee Health Management and Promotion

Zeng Hsing Group : Each subsidiary provides regular health examinations in accordance with local health regulations to help employees maintain good health and detect potential health risks at an early stage. Employees working in high-risk environments may receive additional tests (such as hearing tests and ionizing radiation tests). If an issue is identified, the Company will keep track of it at regular intervals to prevent major harm to the employee.

Taiwan Headquarters: The Company provides employees under 65 with annual health checkup services that are more comprehensive than the legal requirements. In the event of any health issues, our partner healthcare institutions will notify the affected employees to return for a follow-up examination. Employees' family members may also receive the same services at a discounted rate. In 2019, the Company paid NT\$ 576,000 in health checkup service fees to give 288 employees free health checkups.

✳ Employee Care Services 【403-3】

A physician specializing in occupational health provided on-site clinic services on a monthly basis for a total of 12 visits in 2019. This allowed employees to consult a healthcare professional during work hours and learn more about their own health. In the meanwhile, the factory nurse continued to keep track of the condition of the 25 employees who were identified as having a level 2 risk of abnormal workload-induced health conditions during the year-end health examinations in 2018. A physician made regular phone calls to these employees to offer medical consultation and health advice.

A health promotion section was included in the environment, health, and safety website on the corporate intranet to provide information on common major diseases and the top 10 health risk factors among employees. In 2019, the Company held a number of health promotion workshops on a variety of topics, including cardiopulmonary resuscitation, the importance of blood pressure monitoring, an introduction to hyperthyroidism, and hearing protection in the workplace. These workshops had a combined attendance of 299 employees.

The new headquarters building in Taiwan is equipped with a health center that offers emergency care to employees and a place to rest and take blood pressure measurements. Two automated external defibrillators (AEDs) were installed to ensure employee safety in case of an emergency.

✱ Occupational Safety and Health Training 【403-5】

Pursuant to the **Occupational Safety and Health Act** and its enforcement rules, all new and existing employees must participate in occupational safety and health training and promotion workshops in accordance with the timeline stipulated by law. These workshops are designed to help employees develop an acute awareness of safety issues as soon as they report for duty, thereby lowering the likelihood of workplace incidents. Contents include the relevant laws and regulations, key concepts and principles of occupational safety and health, pre-/mid-/post-shift self-inspection, standard operating procedures, emergency response protocols, fire safety and first-aid drills, and other knowledge related to occupational safety and health.

Employees performing hazardous manual tasks must undergo the required training or present qualifying certification, and they must wear personal protective equipment while performing the tasks. A set of contractor management guidelines were formulated to impose similar requirements on contract workers and supplier quality engineers to prevent non-employee accidents at our plants.

As required by local fire ordinances, two plant-wide fire and emergency response drills took place in 2019 to promote a culture of fire safety at the plant.

✱ Employee Health Promotion 【403-6】

The Taiwan Headquarters puts great emphasis on employee health. We establish annual health promotion plans and set aside corresponding budgets to implement them. An occupational health nurse in charge of employee health management conducts a yearly health survey to identify major health concerns (such as obesity, hyperlipidemia, hyperglycemia, or elevated liver enzymes) and design weight loss or exercise plans to address these concerns.

According to annual health examination results, 35% of employees had abnormal cholesterol levels. Following an on-site visit by an occupational physician, it was found that employees who were on corporate meal plans (which accounted for the majority) were more likely to develop high cholesterol. The doctor suggested the following improvement methods:

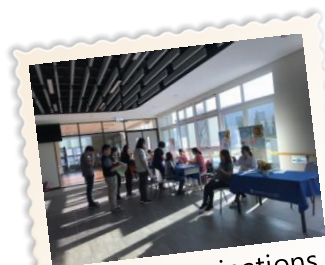
1. Health promotion seminars: Topics included the “3 hypers” and their treatment, living a lifestyle of health and sustainability (LOHAS), and understanding and slowing down the ageing process.
2. Targeted health management plans: Personalized health management plans were designed based on individual employees’ conditions and needs.
3. Dietary adjustments: Once a week, the calorie count of the lunchbox was lowered to 600 calories.
4. Health promotion campaigns: Employees were encouraged to exercise more and participate in sports clubs (such as playing badminton and golf or participating in Family Day activities).

Two years after employees adopted the new diet and lifestyle, the percentage of

employees with high cholesterol decreased from 35% to 33%, a sign of significant progress.

✿ Prevention of Occupational Diseases 【403-10】

The Taiwan Headquarters relies on employee work environment monitoring and enhanced health examinations to minimize the harmful impacts of workplace hazards on employees' health. Additionally, an occupational physician visits the plant in person every month to conduct workplace inspections and provide healthcare advice for any issues discovered. Through health promotion, training, and inspection, employees have developed a habit of putting on their personal protective equipment whenever they enter the plant, which drastically reduces the risk of exposure to workplace hazards and the likelihood of occupational diseases. As a result, no occupational injuries were recorded at the Taiwan Headquarters in 2019.



Health examinations



On site physician diagnosis



On site physician wellness programs



ZH Vietnam was commend a award by Vietnam government in 2019, due to superior performance of occupational health and safety management.

6 Social Involvement

6.1 Social Welfare [203-1]

Taiwan Headquarters: As a company based in Taiping District, Zeng Hsing is well aware of the relative lack of resources in rural areas. Therefore, in addition to paying back to the local community, we are involved in a wide range of charitable activities to care for the disadvantaged. Last year, we continued our support of afterschool art lessons for students in Zhongliao Township, Nantou County and long-term care services at the Maria Theresia Social Welfare Foundation Day Care Center in Taitung County. We hope to send our love to some of the most remote areas in Taiwan through these initiatives.

2017~2019 Charity Donations

Year	2017	2018	2019
Total amount of donation (Thousand NTD)	1,340	3,810	1,800
Sewing Machines Donation (PCS)	55	45	89
Eco-friendly Rice Donation (KG)	1,028	1,000	-
Used Equipment Donation (Thousand NTD)	-	-	700

* Amounts are based on the book value of the equipment at the time of donation.

Zeng Hsing Industrial Vietnam: Zeng Hsing's employees were not the only ones to receive mooncakes on the 15th day of the 8th lunar month of 2019, commonly known as the Mid-Autumn Festival. We worked with the local employment and training center for people with disabilities to give out mooncakes to disadvantaged families to share the holiday joy.

Zeng Hsing Volunteer Team

Besides tangible donations of money and supplies, Zeng Hsing and its employees are taking action to help make the world a better place by making volunteering an integral part of the Company culture. With the support of the Topkey Foundation, Zeng Hsing has been able to put its sewing expertise to use to help those in need. In late 2019, the Zeng Hsing Volunteer Team was formally approved by the Social Affairs Bureau as a social welfare service group, with members consisting of current and retired employees as well as their families. In the future, Zeng Hsing will continue to utilize its sewing expertise to help more charitable organizations which can benefit from our team of professional sewers/volunteers. We already have a series of volunteer events planned for 2020, and we hope more employees will join in on the action and appreciate that it is "more blessed to give than to receive."

✿DMA — Indirect Economic Impact

	Reporting requirements	Disclosure Requirements
103-1	An explanation why the topic material	In the process of maximizing shareholder value, corporations often cause significant impacts on society and the environment. Therefore, taking action to give back to society and protect the environment is essential to corporate sustainability.
	Boundary	ZH Group
	Specific limitation	This topic mainly reveals related information of ZH Group
103-2	Purpose of the management approach	We remain committed to giving back to society and the environment. We formulate a social welfare action plan on an annual basis and set aside a corresponding budget to carry it out.
	2020 Goals	ZH Taiwan: We organize Charity Sewing Workshops and donate money / sewing machines to charity.
103-3	Evaluation Mechanisms	The Strategic Development Office and the CSRO convene regularly to review implementation status.
	Performance	ZH Group : Monetary and equipment donations amounted to NT\$ 14.81 million between 2012 and 2019, including 979 sewing machines and 53 commercial vacuum cleaners.

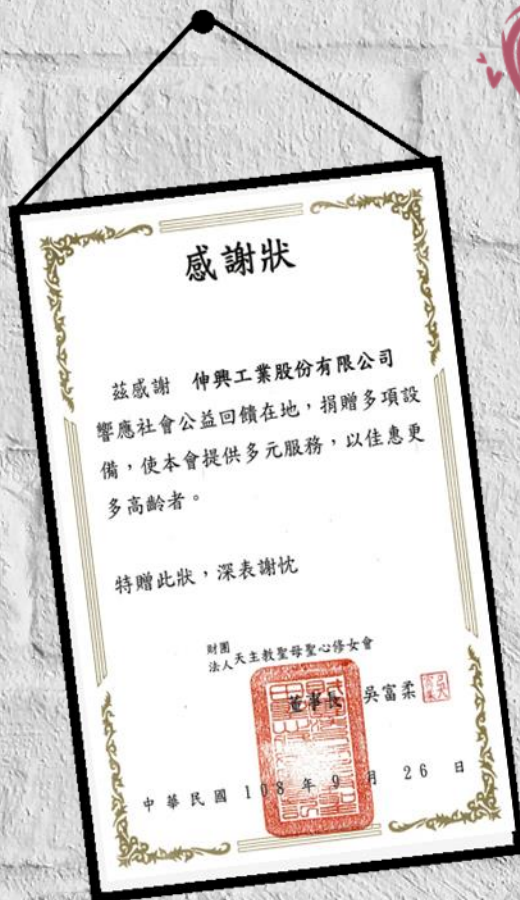
Rural Service

Due to economic development constraints, Taitung's young and middle-aged population has moved out of the town, causing many elderly living alone; Maria Theresia Social Welfare Foundation established the Tianqi Disability Day Care Center in 2019. Let the local disabled or demented elderly have a safe place for activities during the day under the care of professionals. Zeng Hsing continues to donate to the disadvantaged groups with the spirit of caring for the locals.



After school program subsidies

For disadvantaged students who are unable to apply for after-school subsidies due to factors such as single parent and no low-income certificate, Zeng Hsing donates school tutoring fees to provide after-school care support for students.



Donation of used equipment

Zeng Hsing completed the construction of a new building in 2020, and moved the temporary office back to Taiping headquarters at the end of 2019. The original temporary office equipment (including desks, air-conditioners, lockers, etc.) will be demolished. The equipment is in good condition, so donated to Stella Matutina Girls' High School, Stella Sacred Love day care center and other institutions to provide a more comfortable environment for students and the elders.

Moon Festival caring activities

In 2019, Zeng Hsing Vietnam cooperated with the local vocational education center for the disabled person for the first time. It not only hired 2 disabled persons to help them find a job, but also gave moon cake to the disadvantaged groups in the center during the Moon Festival to actively promote social welfare.



6.2 Promoting a Culture of Sewing

Hand-sewn items are catching on in Western countries. To capitalize on this trend, Zeng Hsing founded the Riccar Sewing Workshop in Taiwan to let consumers of all ages who might never have touched a sewing machine before discover the simple joy of sewing in a quality learning environment. With simplicity, joy, LOHAS as its core values, Riccar is Zeng Hsing's vehicle for promoting a culture of sewing. Throughout 2019, Riccar's social involvement team could be seen at various schools and charitable organizations.

Social Welfare Campaigns

In a continuing collaboration between Zeng Hsing and the Taichung Autism Education Association (TAEA), "children of the stars" visited Riccar six times in 2019 for learning how to make red envelopes, pencil cases, and pocketbooks using sewing machines. Although not quite professional just yet, these "children of the stars" have gotten familiar with operating a sewing machine after two years of learning, and Riccar continues to encourage them to explore their potential and create more complex works, filling their lives with joy and wonder.

Sewing Camp

Thanks to arrangements made by the Topkey Foundation, we co-organized a sewing camp with the Taiping Catholic Church of Sacred Love. We donated an embroidery machine, a computerized sewing machine, and 10 mechanical sewing machines, as well as second-hand sewing supplies, equipping the church with every item necessary for a sewing classroom. The purpose of this collaboration is twofold. First, we assisted the church in teaching volunteers the basics of sewing and training them to become sewing experts themselves so that they can craft items for use as gifts to local senior citizens. Second, the Riccar team will pay regular visits to the church to teach those senior citizens sewing skills so that they could experience the simple joy of sewing and gain a sense of achievement.

A one-day sewing camp marked the beginning of this collaboration between Zeng Hsing and Taiping Catholic Church of Sacred Love. During the morning session, 12 volunteers and social workers learned to operate a sewing machine, picked up basic sewing skills, and made persimmon dumpling pouches. Later, these 12 seed teachers, along with the Riccar team, helped 25 senior citizens and volunteers complete their own persimmon dumpling pouches. A number of senior citizens told us that they had had little to no experience with a sewing machine, but thanks to the step-by-step guidance from the seed teachers, all of them were able to finish the pouch. Many participants were surprised to find that sewing could be this fun and easy.

2019 Taiwan Quilt Art Festival

Hand-sewn handicrafts are much more than just decorations. In order to debunk the public's stereotypical perception of sewing, Ms. Chiang Fang-tien organized the 2019 Taiwan Quilt Art Festival to showcase the beauty of hand-crafted patchwork quilt art. Chiang worked with the Taichung Autism Education Association, the National Taichung Special Education School, and three other charitable organizations to offer art quilting workshops for children with disabilities, whose work was then put on sale with all proceeds going to charity. The workshop provided a great opportunity for children to learn to make things for themselves. Riccar donated several sewing machines for the prize draw, and the Riccar team also made two quilt art pieces specifically for the festival's quilt parade.



6.3 Campus CSR Mission

Zeng Hsing Industrial Co., Ltd. has released six corporate social responsibility (CSR) reports as of 2020. In recent years, the Company has placed an increasing emphasis on sustainability. We encourage our employees to help us reshape our corporate culture. However, the ubiquitous jargon and abbreviations (ESG, SDGs, GRI, etc.) usually do nothing but confuse people who are not well versed in this field. To dispel the myth that CSR is only a PR gimmick, Zeng Hsing has formulated a set of CSR policies using clear and simple language. In the future, we will continue to carry forward the spirit of sustainability and organize all kinds of campaigns and initiatives to build a sustainable corporate culture.

In addition to sustainability efforts among current employees, we have discovered that next-generation job seekers are increasingly aware of the visions and sustainability policies of prospective employers. Therefore, in addition to offering salaries that are well above the industry average, Zeng Hsing has held a number of CSR seminars at universities to attract young, outstanding talent. In 2019, for example, we co-organized a seminar titled *Doing Good Can Be Your Profession—On Trends in Corporate Social Responsibility* with the Department of Insurance and Finance, National Taichung University of Science and Technology. At the seminar, we presented a case study of Zeng Hsing and provided the opportunity for them to experience the joy of sewing machines, and we incorporated a wide variety of CSR concepts into our presentation to help college students understand the true meaning of CSR.



7 Environmental Sustainability

✳ Environmental Protection Handbook 【 103 Energy/emissions 】

Zeng Hsing Industrial Taiwan, Zeng Hsing Industrial Vietnam, and Zeng Hsing Industrial China have developed the **Environmental Management Quality Handbook** in accordance with ISO 14000 standards (CNS 14001 and 14004 series) to help safeguard the environment, prevent pollution, find a balance between economic growth and environmental protection, and fulfill the group's CSR responsibility by formulating a clear set of environmental policies, goals, and review procedures in line with the vision and characteristics of the Zeng Hsing Group.



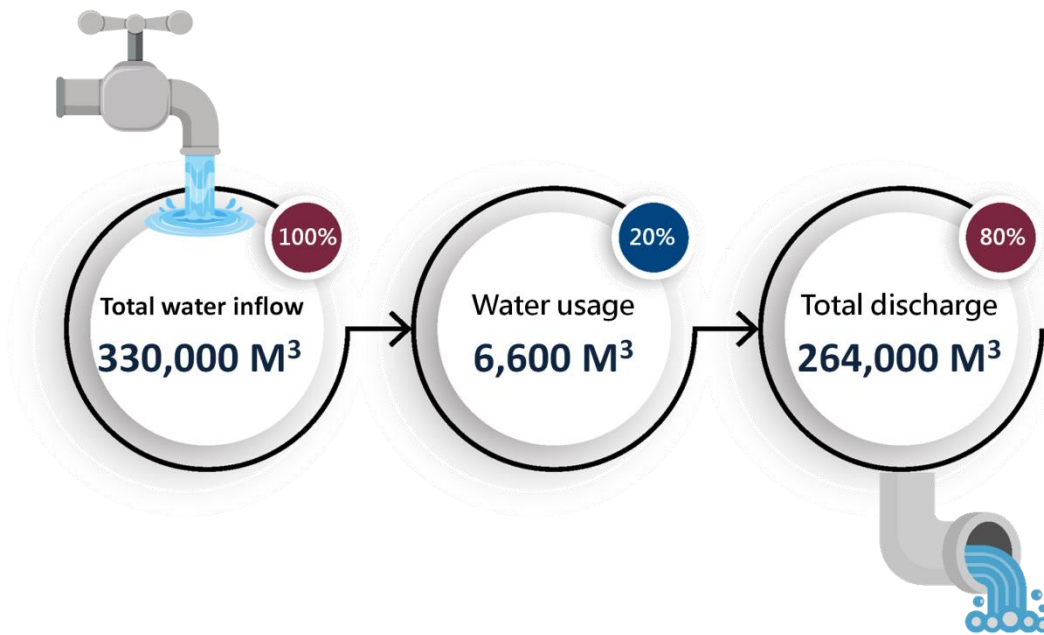
7.1 Energy and Resource Usage and Greenhouse Gas Inventory

✳ Water Resources 【303-1, 3, 4, 5】

The water used by the Zeng Hsing Group is sourced from municipal water supplies and other public and private water facilities. No groundwater is used. The **total water inflow** for 2019 was calculated based on the 12 monthly water bills issued to all Zeng Hsing plants. **Total discharge** of the group amounted to 80% of the total inflow (see note 3). **Water usage** at each plant could not be calculated directly and was arrived at by subtracting total discharge from total inflow. Currently, only the Taiwan headquarters building and Zeng Hsing Industrial Vietnam have rainwater recycling facilities. The collected rainwater is mainly used for watering the landscaped areas of the plants.

Total water inflow for the group amounted to 330,000 m³ in 2019, down 8% from 2018 levels. In particular, water inflow at Zeng Hsing Industrial China fell by 16% compared to 2018, which can mainly be attributed to the partial transfer of manufacturing capacity to Vietnam and a reduction in staff at the Chinese plant.

According to the *Aqueduct Water Risk Atlas* published by the World Resources Institute, Taiping District, Taichung, where the Taiwan Headquarters is based, has a water risk level of low to medium (1–2). As for our overseas subsidiaries, Zeng Hsing Industrial Vietnam and Shinco Technologies are located in Bình Dương Province, Vietnam, which has a high water risk level (3–4), while Zeng Hsing Industrial China is located in Zhangjiagang City, Jiangsu Province, with a medium to high (2–3) water risk level. The manufacturing of sewing equipment is not a water-intensive process, so the majority of water usage is for employee activities. Therefore, the impact of water risks on the Zeng Hsing Group is relatively low. In 2019, however, in consideration of worldwide water shortages and deteriorating water quality, the Company required each plant to formulate a set of water resource management objectives for 2020. These objectives may include water conservation measures or setting water consumption intensity goals. The progress of each plant will be reviewed at the annual CSRO Consensus Meeting as a means of lessening the Company's impact on the environment.



Notes:

1. Total water inflow includes that for the Taiwan Headquarters, Zeng Hsing Industrial China, Zeng Hsing Industrial Vietnam, and Shinco Technologies.
2. The figure for total water inflow is the actual number derived from the 12 monthly water bills for all four plants in 2019 combined. The calculation periods are based on the billing cycles listed on the bills, not the calendar year, and the cycle for each plant may differ. Total water usage and discharge are estimates.
3. Water usage for September–December 2019 at the Taiwan headquarters building on Yongcheng Road was charged to the construction company and is therefore not included in the calculation.
4. Water inflow at the Vietnam plants accounts for 78% of total water inflow for the group. Pursuant to regulations set forth by the Vietnam Industrial Zone Administration, water discharge is defined as 80% of water inflow. Therefore, we have used 80% as the water discharge rate for the entire group.

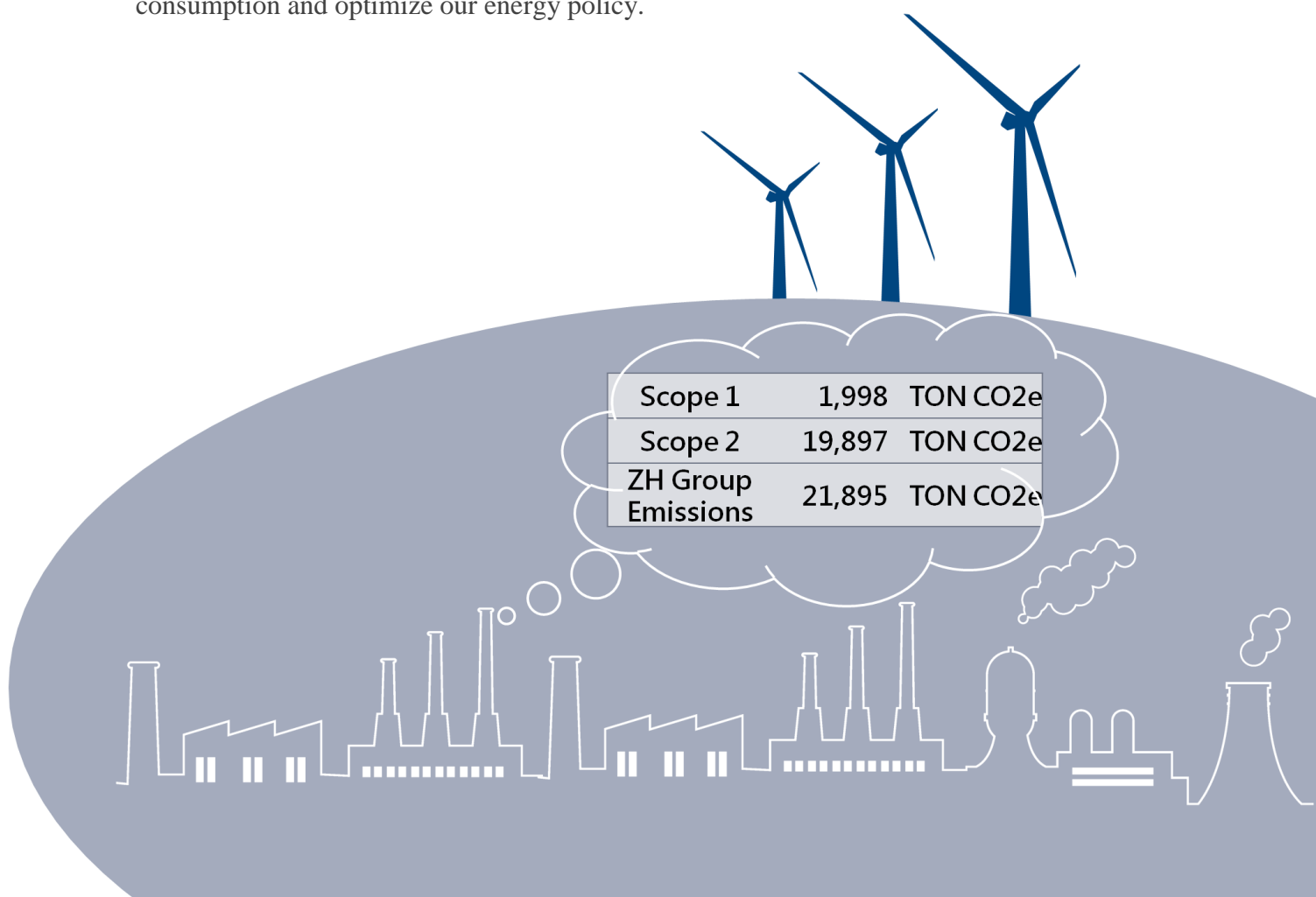
✳ **Energy** 【302-3, 305-1, 2, 4】

According to the results of the latest greenhouse gas (GHG) inventory, emissions from the four Zeng Hsing plants mainly resulted from the consumption of electric power, liquefied petroleum gas, natural gas, gasoline, and diesel fuel. The inventory also shows that Zeng Hsing's **total GHG emissions amounted to 21,895 tCO₂e** (equivalent to **7.3 kg-CO₂e per sewing machine produced**), which is a 1,362 tCO₂e decrease from 2019 levels but a 0.7 kg-CO₂e (~11%) increase per sewing machine produced. This is mainly attributed to the 6% increase in the emissions coefficient for electric power at the Vietnamese plants.

The trends for GHG emissions in the four Zeng Hsing plants are shown in the table below:

	ZH Taiwan	ZH Vietnam	ZH China	Shinco
Emissions	↑ 1%	↑ 6%	↓ 60%	↑ 3%
Reason	The opening of the new building has increased the area used, resulting in an increase in electricity consumption.	Vietnam's electricity emission factor increased by 6%	Part of the production capacity was transferred to Vietnam, and the reduction in output simultaneously led to a decrease in electricity consumption and a decrease in emissions.	Vietnam's electricity emission factor increased by 6%, but the actual electricity consumption is down.

Based on the consumption of gasoline, diesel, natural gas, liquefied petroleum gas, and electric power of the four plants, the **combined energy intensity for the group was 43,820 KJ in 2019** (a 4% increase from 2018). Zeng Hsing Industrial Vietnam was the primary source of emissions, accounting for 60% of all emissions of the group. Therefore, we invested NT\$ 5 million in an energy management system in late 2018 to closely monitor energy consumption levels at the Vietnamese plants. In the meantime, we launched an energy conservation program in which we replaced inefficient injection molding equipment and installed LED lights to reduce power consumption and optimize our energy policy.



✳ Energy Conservation and Pollution Prevention 【302-4, 305-5】

The Taiwan Headquarters, Zeng Hsing Industrial Vietnam, and Zeng Hsing Industrial China have all received ISO 14001 (Environmental Management Systems) certification. We review our environmental protection and pollution prevention policies on an annual basis to ensure compliance with local environmental regulations, and we take measures to prevent air and water pollution and reduce solid waste to decrease environmental impacts due to the manufacturing process. **We received no major fines or punishments related to the environment during the disclosure period of this report.**

To maintain corporate sustainability and fulfil our responsibility as a conscientious enterprise, we **introduced the ISO 50001 Energy Management System Standard** to Zeng Hsing Industrial Vietnam, our main manufacturing hub, which received ISO 50001 certification in June 2018 and passed a subsequent annual review in May 2019. In accordance with the standard, the subsidiary's energy management system incorporates risk management, green manufacturing, and energy impacts to ensure that every employee can contribute to efficient energy use that meets regulatory standards and customer needs. Specific energy efficient improvement projects in 2019 included installing T5 LED tube lighting throughout the plants, replacing traditional injection molding machines with servomotor-based varieties, and introducing an energy management system. These measures contributed to a 3.78% decrease in energy consumption in 2019, calculated based on the formula provided by Taiwan's Bureau of Energy.

ZH Vietnam energy policy



✱ DMA—Emissions/Energy

	Reporting requirements	Disclosure Requirements
103-1	An explanation why the topic material	Material issues are determined by identifying the topics that most attract stakeholders' attention and have the most significant impact on our operations. Failure to comply with GHG emissions management regulations may lead to fines and legal liability. Effective management of GHG emissions, on the other hand, can reduce risk-related costs and increase the sustainable competitiveness of our products.
	Boundary	ZH Group
	Specific limitation	This topic mainly reveals related information of ZH Group
103-2	Purpose of the management approach	This is to ensure compliance with climate change and environmental regulations.
	2020 Goals	ZH Group: Emission intensity, energy saving and carbon reduction
	Responsibilities	Each business location has a Greenhouse Gas Inventory Committee and an Audit Committee, headed by the general manager of that location.
	Resources	Each subsidiary has appointed a Greenhouse Gas Inventory Committee. As of 2018, the Company has invested an accumulated NT\$ 500,000 in external consulting and training fees to train and certify personnel as GHG quantifiers and verifiers. In addition, Zeng Hsing Industrial Vietnam has invested NT\$ 5 million in an energy management system (EMS) and annual recertification of ISO 50001 compliance.
103-3	Evaluation Mechanisms	In accordance with the ISO14064-1 standard regarding the quantification and reporting by organizations of their greenhouse gas emissions, we perform an annual evaluation of the effectiveness of our PDCA management for GHG emissions.
	Performance	ZH Vietnam: Annual carbon reduction 4.6% ZH China: Annual carbon reduction 0.1% ZH Taiwan: ISO 14064-1 internal Verification and validation Shinco: Implementing Procedure of ISO 14064-1

7.2 Waste Management

✿ Waste Storage and Disposal Management Guidelines 【103 Effluent and solid waste, 306-2】

Improving waste management is an important part of our environmental protection policies. Zeng Hsing requires each of its subsidiaries to formulate guidelines for waste storage and disposal management. Currently, the waste management systems at the Taiwan Headquarters, Zeng Hsing Industrial Vietnam, and Zeng Hsing Industrial China have all received ISO 14001-2015 certification, which imposes strict rules on waste recycling, sorting, and disposal. These subsidiaries maintain detailed records of waste disposal activities and regularly report such records to the competent authority in accordance with local regulations. Although Shinco Technologies has not yet adopted the ISO standard, it strictly abides by Vietnamese laws and its internal waste management guidelines in processing waste disposal, including reporting toxic waste to the relevant government agencies and ensuring that waste disposal service providers are in compliance with government regulations. General waste produced by the group is either incinerated or sent to a landfill, whereas toxic waste is turned over to an EPA-certified waste disposal service provider for recycling.

✿ Waste Management, Recycling, and Reuse

We require each subsidiary to implement the three R's of solid waste management: **R**educe waste production, **R**ecycle manufacturing waste, and **R**euse packaging materials used in transportation.



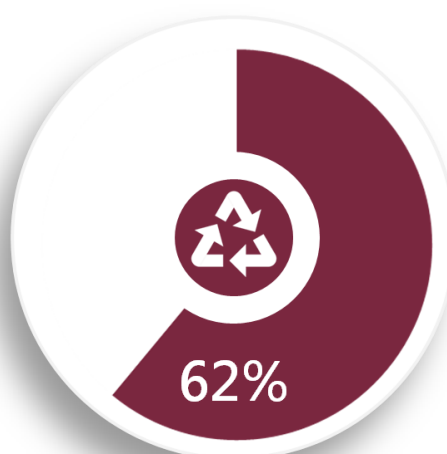
The Zeng Hsing Group:

Waste can be categorized into two main categories: non-recyclable (general, industrial, and toxic waste) and recyclable (paper, plastic, scrap metal, etc.). In 2019, we disclosed the recycling rates at our plants for the first time. We will continue to monitor our waste management efforts to ensure effective implementation of the three R's.

Please note that as the new headquarters building was under construction in late 2019, some departments had to rent temporary offices outside of the Company. General waste produced by these departments during this period was collected by the city garbage disposal service and thus is not included in the calculation. Similarly, general waste produced by Zeng Hsing Industrial Vietnam and Shinco Technologies is processed by the industrial zone and cannot be disclosed here. The volume for general waste produced by Zeng Hsing Industrial China is an estimate provided by the waste disposal service provider; it is not the actual value.

Note: Recycling rate = weight of recycled waste / total waste.

The Zeng Hsing group resources recycling rate



Principles of Waste Treatment



✳ Environmental Compliance Inspections

Environmental inspection standards vary from country to country. Each Zeng Hsing subsidiary is required to conduct annual inspections of wastewater effluents, suspended particulate matter, CO₂ levels, and drinking water quality (among others) in accordance with local environmental regulations. All subsidiaries passed the inspection in 2019, and no deviations from the standards were identified.

Water pollution test	Compliance with local regulations			
	ZH China	ZH Tawian	ZH Vietnam	Shinco
Water pollution test (SS 、COD 、BOD)	V	V	V	V
environmental test (SO _x 、NO _x)	V	V	V	V

Note: Data comes from the 2019 water pollution and environmental inspection report of each subsidiary (conducted on an annual basis in accordance with local regulations).

✳ DMA—Effluent and Solid Waste

Reporting requirements		Disclosure Requirements
103-1	An explanation why the topic material	Failure to comply with effluent and solid waste management regulations may lead to fines and legal liability. Effective management of effluent and solid waste, on the other hand, can minimize the risk of regulatory violations.
	Boundary	ZH Group
	Specific limitation	This topic mainly reveals related information of ZH Group
103-2	Purpose of the management approach	This is to ensure that all waste produced by the Company is sorted, collected, stored, and disposed of in a manner that meets local regulations related to environmental protection and pollution prevention.
	2020 Goals	ZH Group : recycle rate, waste reduction
103-3	Evaluation Mechanisms	The Company performs an annual evaluation of the effectiveness of our PDCA for solid waste management in accordance with the internal review procedures stipulated in ISO14001.
	Performance	ZH Taiwan : recycle rate 67% ZH Vietnam : recycle rate 63% (not include domestic waste) Shinco : recycle rate 54% (not include domestic waste) ZH China : recycle rate 57%

7.3 Efficient Energy Use in Products and Services

【302-5】 **From product design to manufacturing and shipping, Zeng Hsing follows international product safety standards (such as CE, GS, and UL) and green product standards (such as RoHS, WEEE, and REACH).** Additionally, we have formulated internal regulations (such as the *Product Design and Development Management Guidelines* and the *Hazardous Substance-Free Policy*) so that our design and manufacturing teams can produce products that meet customer needs across various markets.

The R&D team at the Taiwan Headquarters incorporates environment-related KPIs into its annual departmental KT/KC plans to reduce energy and resource consumption. For example, the team has invested considerable time and energy in increasing the number of shared parts, lowering energy intensity during product transportation, and performing simulation-based design optimization. The same is true for improving the manufacturing process, as the design team is currently working on developing shared jigs for electro-mechanical integration in order to reduce the total number of jigs used and increase overall manufacturing efficiency.

Green Product Design

The R&D team at the Taiwan Headquarters is committed to reducing product energy consumption and simplifying the manufacturing process, especially for its sewing machine and vacuum lines. The 2019 project to lower the energy intensity of the Company's products and services is a good example of this effort.

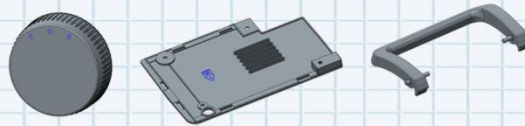


1.

Parts sharing across product lines

Our team redesigned several parts so that they can be shared across product lines. This not only brought manufacturing costs down and made the products easier to assemble, but also reduced the cost of routine equipment maintenance. In 2019 alone, the team developed **54 shared exterior parts**, which also meant that only one mold needed to be made instead of 54.

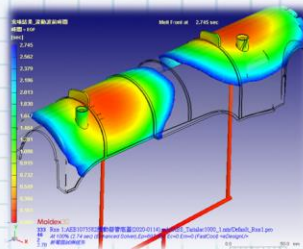
As for mechanical parts, the team eliminated a washer from one of the parts after verifying that its removal did not pose any function or durability problems. The original part with the washer total weighed 43.7 kg, but the new part total weighs only 39.1 kg, **saving the Company 4.6KG of materials** based on the 2018 sales volume of the product (100,000 units)



2.

Mold flow analysis

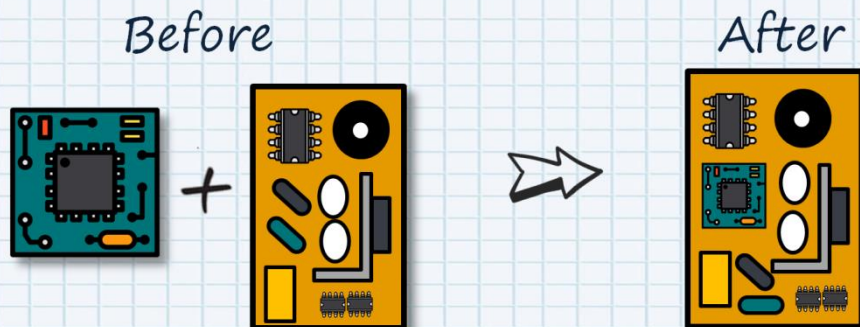
In the past, designing a mold was often a process of trial and error, which frequently led to defective products in the earlier batches. Changing the design of a product meant making a new mold, which was slow, costly, and inefficient. However, thanks to the introduction of computer-aided engineering (CAE), the R&D team can analyze the injection molding process with a computer program and use mold flow analysis software to obtain optimized design parameters before actually making the mold. This significantly **reduces** the possibility of human error as well as costs associated with remolding and **waste materials due to unsatisfactory molds**.



3.

Single-substrate integration

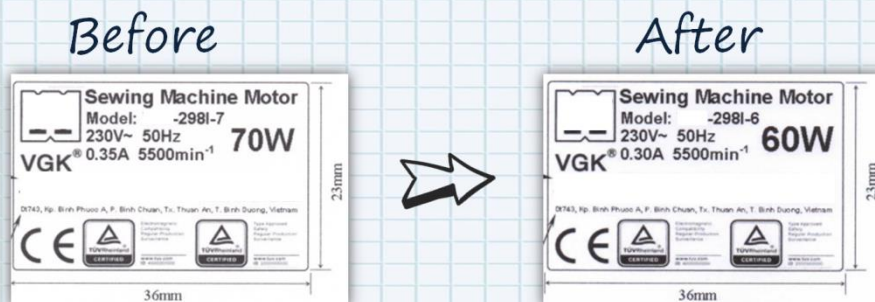
With green design as its ultimate goal, the R&D team proposed a single-substrate integration project for the QM series of electronic sewing machines. These machines were originally controlled by a main substrate and an electronic power substrate. However, the R&D team successfully shrank the dimensions of the main substrate so that it could be directly integrated into the power substrate, **which resulted in a 7,105 mm³ reduction in volume and 1,750 fewer PCBs used**, based on the number of units produced in 2019 (1,750 units).



4.

Improved Motors

To reduce energy consumption and prevent electric shocks, the R&D team proposed **a project to replace the old 70W motors with more energy efficient 60W ones**, making our sewing machines 10W more power efficient. This translates to a 7.2 kWh savings in annual power consumption per user (based on normal usage patterns: 3 hours of daily usage at 20 days of use per month), or a 72 kWh total savings in power consumption based on the projected annual production volume of the product (10,000 units).



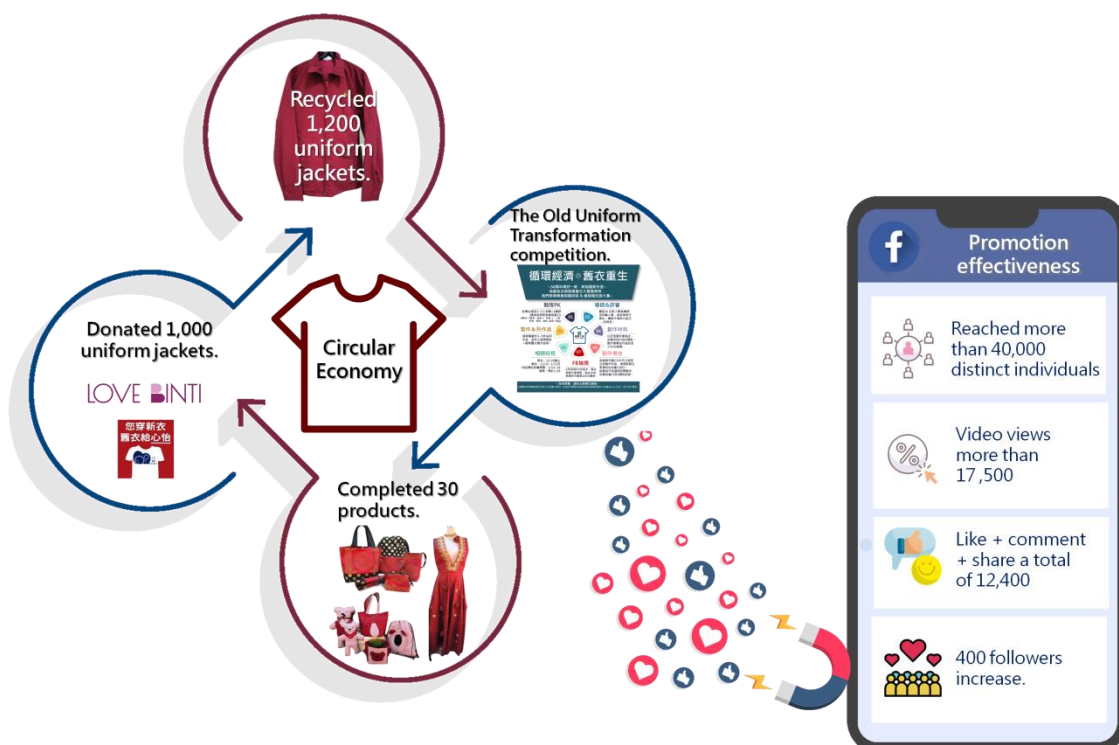
7.4 Circular Economy

Finding New Life for Old Uniforms

The Taiwan Headquarters rolled out newly designed uniforms in 2019 in celebration of Zeng Hsing's 50th anniversary. In order to prevent the old uniforms from going to waste, the Company organized the Old Uniform Recycling and Transformation competition. Employees were encouraged to turn in their old uniform jackets after washing them. The CSR office received approximately 200 jackets, which were distributed to seven departments within the Company for transformation. Each participating team had to design 3–5 items from the red uniform jackets. The finished items had to retain 50% of the jacket and include embroidery elements. The objective of this competition was to turn old uniforms into boutique fashion items.

While the seven teams were busy crafting their works, the CSRO documented their design process and uploaded the footage onto the Company's Facebook fan page. To strengthen our social media engagement, we encouraged our fans to vote for their favorite designs by clicking the like button or sharing posts. Those who voted were entered into a prize draw in which 10 lucky voters would receive gift vouchers. The number of likes each team received was part of the criteria for selecting the winner. In the end, the CSRO received 30 submissions and published 8 videos and 2 blog posts on the Facebook fan page. Thanks to participating employees' promotion, the social media campaign reached more than 40,000 distinct individuals, helping the Company promote economic circularity.

To show support for a circular economy, the CSRO donated recycled uniform jackets not used in the competition along with 1,000 brand new sets of old uniforms (jackets and shirts) that were still in stock to Step 30 Foundation's Bethlehem Warehouse and Hsinye Spring's used clothing drive. We hope to achieve maximum resource utilization by sending these uniforms to those in need.



8 Appendix

8.1 GRI Standards Comparison Table [102-55]

General Disclosures

Type	Disclosure Number	Disclosure Title	Related Section	Page
1.Organizational profile				
Core	102-1	Name of the organization	1.1 Zeng Hsing Group Overview	10
Core	102-2	Activities, brands, products, and services	1.2 Our Products	13
Core	102-3	Location of headquarters	1.1 Zeng Hsing Group Overview	10
Core	102-4	Location of operations	About CSR Report	2
Core	102-5	Ownership and legal form	1.1 Zeng Hsing Group Overview	10
Core	102-6	Markets served	1.2 Our Products	13
Core	102-7	Scale of the organization	1.1 Zeng Hsing Group Overview	10
Core	102-8	Information on employees and other workers	5.1 Global workforce structure as of 2019	59
Core	102-9	Supply Chain	4.5 Supply Chain Management	54
Core	102-10	Significant changes to the organization and its supply chain	1.1 Zeng Hsing Group Overview	10
Core	102-11	Precautionary Principle or approach	3.4 Risk Management	40
Core	102-12	External initiatives	4.1 Corporate Certifications	46
Core	102-13	Membership of associations	1.4 Membership of associations	18
2.Strategy				
Comprehensive	102-14	Statement from senior decision-maker	Message From CEO	4
Core	102-15	Key impacts, risks, and opportunities	3.4 Risk Management	40
3.Ethics and integrity				
Core	102-16	Values, principles, standards, and norms of behavior	1.1 Zeng Hsing Group Overview	10
Comprehensive	102-17	Mechanisms for advice and concerns about ethics	3.3 Enforcing Ethical Management	38

Type	Disclosure Number	Disclosure Title	Related Section	Page
4.Governance				
Core	102-18	Governance structure	3.1 Corporate Governance	28
Comprehensive	102-19	Delegating authority	3.2The CSR Office and Its Organizational Structure	36
Comprehensive	102-20	Executive-level responsibility for economic, environmental,and social topics	3.2The CSR Office and Its Organizational Structure	36
Comprehensive	102-21	Consulting stakeholders on economic, environmental,and social topics	3.2The CSR Office and Its Organizational Structure	36
Comprehensive	102-22	Composition of the highest governance body and its committees	3.1 Corporate Governance	28
Comprehensive	102-24	Nominating and selecting the highest governance body	3.1 Corporate Governance	28
Comprehensive	102-25	Conflicts of interest	3.1 Corporate Governance	28
Comprehensive	102-35	Remuneration policies	3.1 Corporate Governance	28
Comprehensive	102-36	Process for determining remuneration	3.1 Corporate Governance	28
5.Stakeholder engagement				
Core	102-40	List of stakeholder groups	2.1 Stakeholders interactive	19
Core	102-41	Collective bargaining agreements	5.2 Employee Benefits and Rights	62
Core	102-42	Identifying and selecting stakeholders	2.2 Stakeholders Identification and Materiality Assessment	23
Core	102-43	Approach to stakeholder engagement	2.1 Stakeholders interactive	19
Core	102-44	Key topics and concerns raised	2.1 Stakeholders interactive	19
6.Reporting practice				
Core	102-45	Entities included in the consolidated financial statements	About CSR Report	2
Core	102-46	Defining report content and topic Boundaries	2.2 Stakeholders Identification and Materiality Assessment	23
Core	102-47	List of material topics	2.2 Stakeholders Identification and Materiality Assessment	23
Core	102-48	Restatements of information	About CSR Report	2
Core	102-49	Changes in reporting	About CSR Report	2

Type	Disclosure Number	Disclosure Title	Related Section	Page
Core	102-50	Reporting period	About CSR Report	2
Core	102-51	Date of most recent report	About CSR Report	2
Core	102-52	Reporting cycle	About CSR Report	2
Core	102-53	Contact point for questions regarding the report	About CSR Report	2
Core	102-54	Claims of reporting in accordance with the GRI Standards	About CSR Report	2
Core	102-55	GRI content index	8.1 GRI Standards Comparison Table	103
Core	102-56	External assurance	About CSR Report	2

Topic-specific disclosures

Material topics	Disclosure Number	Disclosure Title	Related Section	Page
Economic Performance				
Economic Performance ^{*5}	201-1	Direct economic value generated and distributed	1.3 Operating & Financial Info	17
	201-4	Financial assistance received from government	N/A	
Management Approach	103-1	Explanation of the material topic and its Boundary	1.3 Operating & Financial Info	17
	103-2	The management approach and its components	1.3 Operating & Financial Info	17
	103-3	Evaluation of the management approach	1.3 Operating & Financial Info	17
Indirect Economic Impacts ^{*16}	203-1	Infrastructure investments and services supported	6.1 Social Welfare	83
Management Approach	103-1	Explanation of the material topic and its Boundary	6.1 Social Welfare	83
	103-2	The management approach and its components	6.1 Social Welfare	83
	103-3	Evaluation of the management approach	6.1 Social Welfare	83
Procurement Practices ^{*11}	204-1	Proportion of spending on local suppliers	4.5 Supply Chain Management	54
Management Approach	103-1	Explanation of the material topic and its Boundary	4.5 Supply Chain Management	54
	103-2	The management approach and its components	4.5 Supply Chain Management	54
	103-3	Evaluation of the management approach	4.5 Supply Chain Management	54
Anti-corruption ^{*6}	205-1	Operations assessed for risks related to corruption	3.3 Enforcing Ethical Management	38
	205-3	Confirmed incidents of corruption and actions taken	3.3 Enforcing Ethical Management	38
Management Approach	103-1	Explanation of the material topic and its Boundary	3.3 Enforcing Ethical Management	38
	103-2	The management approach and its components	3.3 Enforcing Ethical Management	38
	103-3	Evaluation of the management approach	3.3 Enforcing Ethical Management	38

Material topics	Disclosure Number	Disclosure Title	Related Section	Page
Environmental Performance				
Energy ^{*13}	302-3	Energy intensity	7.1 Energy and Resource Usage and Greenhouse Gas Inventory	91
	302-4	Reduction of energy consumption	7.1 Energy and Resource Usage and Greenhouse Gas Inventory	91
Management Approach	103-1	Explanation of the material topic and its Boundary	7.1 Energy and Resource Usage and Greenhouse Gas Inventory	91
	103-2	The management approach and its components	7.1 Energy and Resource Usage and Greenhouse Gas Inventory	91
	103-3	Evaluation of the management approach	7.1 Energy and Resource Usage and Greenhouse Gas Inventory	91
Water	303-1	Interactions with water as a shared resource	7.1 Energy and Resource Usage and Greenhouse Gas Inventory	91
	303-3	Water withdrawal	7.1 Energy and Resource Usage and Greenhouse Gas Inventory	91
	303-4	Water discharge	7.1 Energy and Resource Usage and Greenhouse Gas Inventory	91
	303-5	Water consumption	7.1 Energy and Resource Usage and Greenhouse Gas Inventory	91
Management Approach	103-1	Explanation of the material topic and its Boundary	7.1 Energy and Resource Usage and Greenhouse Gas Inventory	91
	103-2	The management approach and its components	7.1 Energy and Resource Usage and Greenhouse Gas Inventory	91
	103-3	Evaluation of the management approach	7.1 Energy and Resource Usage and Greenhouse Gas Inventory	91
Emissions ^{*15}	305-1	Direct (Scope 1) GHG emissions	7.1 Energy and Resource Usage and Greenhouse Gas Inventory	91
	305-2	Energy indirect (Scope 2) GHG emissions	7.1 Energy and Resource Usage and Greenhouse Gas Inventory	91
	305-4	GHG emissions intensity	7.1 Energy and Resource Usage and Greenhouse Gas Inventory	91
	305-5	Reduction of GHG emissions	7.1 Energy and Resource Usage and Greenhouse Gas Inventory	91
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Effluents and Waste ^{*12}	306-2	Waste by type and disposal method	7.2 Waste Management	96
	306-3	Significant spills	3.5 Regulatory Compliance	42
Management Approach	103-1	Explanation of the material topic and its Boundary	7.2 Waste Management	96
	103-2	The management approach and its components	7.2 Waste Management	96
	103-3	Evaluation of the management approach	7.2 Waste Management	96
Environmental Compliance ^{*7}	307-1	Non-compliance with environmental laws and regulations	3.5 Regulatory Compliance	42
Management Approach	103-1	Explanation of the material topic and its Boundary	3.5 Regulatory Compliance	42
	103-2	The management approach and its components	3.5 Regulatory Compliance	42
	103-3	Evaluation of the management approach	3.5 Regulatory Compliance	42

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Social Performance				
Employment ^{*8}	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	5.2 Employee Benefits and Rights	62
	401-3	Parental leave	5.2 Employee Benefits and Rights	62
Management Approach	103-1	Explanation of the material topic and its Boundary	5.2 Employee Benefits and Rights	62
	103-2	The management approach and its components	5.2 Employee Benefits and Rights	62
	103-3	Evaluation of the management approach	5.2 Employee Benefits and Rights	62
Labor/Management Relations ^{*2}	402-1	Minimum notice periods regarding operational changes	5.2 Employee Benefits and Rights	62
Management Approach	103-1	Explanation of the material topic and its Boundary	5.2 Employee Benefits and Rights	62
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Occupational Health and Safety ^{*4}	403-1	Occupational health and safety management system	5.4 Occupational Health and Safety Management	74
	403-2	Hazard identification, risk assessment, and incident investigation	5.4 Occupational Health and Safety Management	74
	403-3	Occupational health services	5.5 Employee Health Management and promotion	80
	403-4	Worker participation, consultation, and communication on occupational health and safety trade unions	5.4 Occupational Health and Safety Management	74
	403-5	Worker training on occupational health and safety	5.5 Employee Health Management and promotion	80
	403-6	Promotion of worker health	5.5 Employee Health Management and promotion	80
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	5.4 Occupational Health and Safety Management	74
	403-8	Workers covered by an occupational health and safety management system	5.4 Occupational Health and Safety Management	74
	403-9	Work-related injuries	5.4 Occupational Health and Safety Management	74
	403-10	Work-related ill health	5.5 Employee Health Management and promotion	80
Management Approach	103-1	Explanation of the material topic and its Boundary	5.4 Occupational Health and Safety Management	74
	103-2	The management approach and its components	5.4 Occupational Health and Safety	74

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Social Performance				
	103-3	Evaluation of the management approach	Management 5.4 Occupational Health and Safety Management	74
Training and Education ^{*3}	404-1	Average hours of training per year per employee	5.3 Employee Training and Development	68
Management Approach	103-1	Explanation of the material topic and its Boundary	5.3 Employee Training and Development	68
	103-2	The management approach and its components	5.3 Employee Training and Development	68
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Child Labor ^{*14}	408-1	Operations and suppliers at significant risk for incidents of child labor	3.5 Regulatory Compliance	42
Management Approach	103-1	Explanation of the material topic and its Boundary	3.5 Regulatory Compliance	42
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Human Rights Assessment	412-1	Operations that have been subject to human rights reviews or impact assessments	3.5 Regulatory Compliance	42
	412-2	Employee training on human rights policies or procedures	5.3 Employee Training and Development	68
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Management Approach	103-1	Explanation of the material topic and its Boundary	4.4 Green Procurement	50
	103-2	The management approach and its components	4.4 Green Procurement	50
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Marketing and Labeling ^{2016 *10}	417-2	Incidents of non-compliance concerning product and service information and labeling	4.2 Marketing of Products and Services	47
	417-3	Incidents of non-compliance concerning marketing communications	4.2 Marketing of Products and Services	47
Management Approach	103-1	Explanation of the material topic and its Boundary	4.2 Marketing of Products and Services	47
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Material topics	Disclosure Number	Disclosure Title	Related Section	Page
Social Performance				
Compliance ^{*1}				
Management	103-1	Explanation of the material topic and its Boundary	3.5 Regulatory Compliance	42
Approach	103-2	The management approach and its components	3.5 Regulatory Compliance	42
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8.2 Independent Assurance Statement



Independent Assurance Statement

Introduction:

TÜV Rheinland (Guangdong) Ltd., member of TÜV Rheinland Group, Germany (TÜV), We has been entrusted by the management of ZENG HSING INDUSTRIAL CO., LTD. (Zeng Hsing, the Company) to conduct independent assurance of Zeng Hsing Zeng Hsing Corporate Social Responsibility Report 2019 (the Report). All contractual contents for this assurance engagement rest entirely within the responsibility of Zeng Hsing. Our task was to give a fair and adequate judgment on the Zeng Hsing Report 2019.

The intended users of this assurance statement are stakeholders having relevance to the Zeng Hsing overall Sustainability Performance and impacts of its business activities during 2019 (January 2019 ~ December 2019). TÜV Rheinland is a global service provider of CSR & Sustainability Services in over 65 countries, having qualified professionals in the field of Corporate Sustainability Assurance, Environment, Social and Stakeholder Engagement. We have maintained complete impartiality and independence during the assurance engagement and were not involved in the preparation of report contents.

Assurance Standard:

The Independent Assurance was carried out in accordance with AccountAbility, U.K. Standard AA1000 Assurance Standard (2008) with 2018 Addendum and related standards AA1000 Accountability Principles (2018), AA1000 SES (2015), Principles of Inclusivity, Materiality, Responsiveness and Impact, Global Reporting Initiative (GRI), "In accordance"-Core option" reporting guidelines as per GRI-Standards.

Scope & Type of Assurance:

Our Assurance engagement covers the following:

- Zeng Hsing Corporate Sustainability performance as described in the report 2019 in accordance with GRI reporting guidelines and performance indicators and according disclosure on management approach (DMAs) from Economic, Environment & Social category, also defined in Reporting boundaries.
- Evaluation of disclosed information in the report as per the Assurance Standards.
- Type-1, Moderate Level as per AA1000 Assurance Standard (2008) with 2018 Addendum

Limitation: The assurance engagement was carried out at Zeng Hsing at Taichung City, Taiwan. The consultations with external stakeholder were not carried out. We have not observed any significant situations to limit our assurance activity. The verification is carried out based on the data and information provided by Zeng Hsing, assuming they are complete and true. We did not verify the reported financial data as same is verified by another third party in annual report.

Assurance Methodology:

TÜV has challenged the report contents and assess the process undertaken by Zeng Hsing from source to aggregate in disclosure of information related to Sustainability performance. Our judgment is based on the objective review of reported and based on the principles defined in the assurance standards, the principles of inclusiveness, materiality, responsiveness and impact, and the integrity of the data provided in the report.

Analytical methods and the performance of interviews as well as verification of data, done as random sampling, to verify and validate the correctness of reported data and contents in light of contractual agreement and the factual Zeng Hsing Corporate Social Responsibility strategy (CSR) as mentioned in the report. Our work included consultation with over 10 Zeng Hsing representatives including senior management and relevant employees. The approach deemed to be appropriate for the purpose of assurance of the report since all data therein could be verified through original proofs, verified database entries.

The Assurance was performed by our multidisciplinary team of experienced professionals in the field of Corporate Sustainability, Environment, Social and Stakeholder Engagement. We are of the opinion that our work offers a sufficient and substantiated basis to enable us to come to a conclusion mentioned below and based on the content of our contract.

Adherence to AA 1000 principles:

Inclusivity: Zeng Hsing has continually sought the engagement of its stakeholders, identify and understand their stakeholder, and use the communication mechanism to identify the material issues and achieve an accountable response.

Materiality:

Zeng Hsing has implemented the material issues identification processing. The identification was based on the requirements and focus of attention of the stakeholder, the consideration of the company internal policy, shareholders meeting, questionnaires and the understanding and communication on the sustainable development content. The material issues were completely analyzed and the relative information of sustainable development was disclosed.

Responsiveness:

Zeng Hsing has implemented the policy including environment and safety, hazardous substances, quality, intelligent property management and corporate social responsibility. The report disclosed the management system of the company and stakeholder engagement, responding to their stakeholders against material issues of the sustainable development.

Impact:

Zeng Hsing has identified and fairly represented impacts that were measured and disclosed in effective way. Zeng Hsing has established processes to monitor, measure, evaluate and manage impacts that lead to more effective decision-making and results-based management within the organization.

Conclusion:

In conclusion, we can mention that no instances or information came to our attention that would be to the contrary of the statement made below:

- Zeng Hsing Corporate Social Responsibility Report 2019 meets the requirement of Type-1, Moderate Level Assurance according to AA1000AS (2008) with 2018 Addendum and Global Reporting Initiative (GRI), "In accordance"-Core option" reporting guidelines as per GRI-Standards.
- The Report includes statements and claims that reflects Zeng Hsing achievements and challenges supported by documentary evidences and internal records
- The performance data we found in the report are collected, stored and analyzed in a systematic and professional manner and were plausible.
- TÜV Rheinland shall not bear any liability or responsibility to a third party for perception and decision about Zeng Hsing based on this Assurance Statement.



For TÜV Rheinland Group

Vito Lin

Vito C. C. Lin

Lead Verifier

Taipei, 29 June 2020



企業社會責任報告書

Corporate Social Responsibility Report